

BUSINESS WEEK

MAY 10 1947



Walter S. Gifford: An executive on a very busy line (page 8)

A MCGRAW-HILL PUBLICATION

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To cure a headache, you don't cut off your head

SOME VERY persuasive people are telling you that because capitalism has some faults, it should be changed to some system where, they say, these faults don't exist. They are very careful not to remind you of the *advantages* of capitalism, all of which would be lost to you in this utopia they picture.

These people (whose hatred of capitalism stems from envy) wail:

"Under capitalism there are depressions."

That's true and it is tragic, and no one works harder than a capitalist to prevent a depression. Even so, at the bottom of the last depression the average American wage would buy twice as much food and clothing as an English worker could buy with his wage, 5 times as much as a Russian worker could buy.

Compared to this country, the workmen in Europe and Asia are in a perpetual depression.

"Under capitalism there are wealthy people."

And every boy and girl in America has the opportunity to be one of them if he has the native ability and wants to work hard enough—which is true nowhere else in the world. Besides, it was the building of these fortunes which created millions of highly-paid jobs which never would have existed without the hope of profit spurring men on.

"Under capitalism..." ...let's see, that's about all these enemies of capitalism can think up against it. And they're very careful not to remind you that under capitalism and *under no other system* you have opportunity, you have far more and better food and clothing and recreation than the people of any other nation, and you have *freedom*.

It's true that headless people don't have headaches but that's a poor way to cure a headache, isn't it?



**WARNER
&
SWASEY**
Machine Tools
Cleveland

YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES AND TAPPING MACHINES



It soaked up the shock of 10 million crashing tons

typical example of B. F. Goodrich product development

It WAS only a 390 foot haul—but it proved to be a costly one. Huge hunks of coal had to be carried from railroad siding to a barge dock on the river bank below. A belt conveyor system was the obvious answer. So one was built and put into service.

Everything was fine—until the belt wore out before it had carried 4 million tons. Now that much coal will build a lot of houses. But it wasn't tough enough to make the belt a good investment. The second belt was even worse—just over 3 million. And the third belt, which went 5½ million tons, still

added too much to the cost of the coal.

Then the coal company—and the mining industry—got a break. B.F. Goodrich belting engineers developed a new kind of belt in which hundreds of individual cords—each completely embedded in rubber—replaced the usual stiff fabric “carcass.” They added a top ply with the cords running across the belt. When heavy hunks of material hit the belt it “gives” in both directions—absorbs the shock instead of fighting it. One of these cord belts was installed to carry the coal to the barge dock. Up to now it has handled

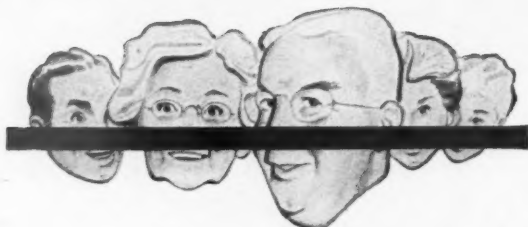
over 10 million tons and is still in service.

No one knows yet just how much the cord belt will reduce handling costs for this company. But there are records of other cord belts which have lasted 10 times as long as conventional belts—each one a typical example of the results of B.F. Goodrich research and product development. *The B.F. Goodrich Company, Industrial Products Division, Akron, Ohio.*

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BUSINESS WEEK • May 10, 1947

WASHINGTON OUTLOOK



THE NATIONAL SOFT COAL STRIKE you've been expecting on July 1 probably won't come off.

This isn't certain yet, of course. But odds are growing longer.

Krug's roll-call of operators next week will show 75%-80% of them willing to sign a single contract with John L. Lewis (page 92).

The group includes: steel company "captives," northern and western owners, even some from southern fields.

Lewis still insists on industrywide bargaining. But if the break in southern operator ranks is impressive enough, Lewis will agree to negotiate.

He figures the holdouts—if there aren't too many—will face the choice: Sign up, too, or face a shutdown that would hurt only themselves.

A new soft coal contract won't be easy to write.

But a majority of the operators won't force a showdown on continuing payments into the miners' welfare fund. And Lewis can get his men a pay boost to match the second-round wage increases in manufacturing industry. That may be enough.

CONGRESS IS NOT going to sire any basic changes this year in government operations which affect businessmen.

Except labor legislation—perhaps.

You can plan on this basis.

Talk of adjournment already is in the air. G. O. P. leaders want to get out of Washington.

They think Truman is more apt to stub his toe politically without Congress around than with it.

There will be no final action before adjournment on such proposals for new government activities as:

Taft's long-range housing bill.

Universal training, or Army-Navy merger.

Putting acquisition of corporate assets under antitrust scrutiny.

Stream pollution control (page 50).

Federal aid to education.

Exception: National Science Foundation bill is on the Senate's list to pass, but it may hang up in the House.

Also, you can mark down as dead for this year bills to overhaul existing government functions, such as:

Curbing federal authority in electric and gas fields.

Increasing minimum wages.

Modifying reciprocal trade.

Major changes in postal rates.

Revision of patent laws.

Exceptions: census of business, and Bulwinkle-Reed bill exempting railroad rate bureaus from antitrust laws. Both are likely to get through.

Business lobbyists in Washington reluctantly conclude that Congress is bent on ditching all but the G. O. P. "musts"—tax cuts, labor curbs, appropriations.

And foreign aid, of course—with strings. Also such remnants of wartime controls that must be retained a while longer—rents, for example.

The lobbyists have shifted their tactics: Now they concentrate on getting pursestrings tightened on agencies with programs they don't like.

Idea is give the bureaucrats the least money to carry on until Congress comes back next year.

John F. Sonnett takes Wendell Berge's place as head of the Antitrust Division (page 67).

He's 35, a New Yorker and the man who licked John L. Lewis.

Sonnett will be a middle-of-the roader. He's no Thurman Arnold. He almost didn't take the job.

THE G. O. P.'S 20% TAX CUT BILL will be on Truman's desk by Memorial Day.

He has not made up his mind what to do with the bill—despite what you hear. But the prospect is that he will decide he can't afford to veto it.

Here's why:

The Senate will fix a July 1 effective date. That strikes out the retroactive feature of the House bill—which Truman would not take.

And the Senate will scale down the cut for incomes over \$150,000—to lessen the charge that it's a rich man's tax bill.

House leaders will accept these changes.

The tax cut bill carries no new headaches for your payroll department.

It contains an already-worked-out new table

WASHINGTON OUTLOOK (Continued)

of withholding taxes for each pay bracket. Treasury reporting forms won't have to be changed.

Also, you won't be bothered with six-months figures. You'll square yourself with the tax collector next March by deducting 10% of your tax on total '47 income, not 20% on earnings in the last six months.

IT WASN'T WHAT STALIN SAID in the Stalin-Stassen interview that interested Washington.

It was what Stassen said.

He gave the Russian leader a preview of the economic platform on which he'll make his fight for the G. O. P. nomination next year.

Stassen's emphasis was on "the regulation of capitalism" by broad governmental measures—to stabilize production at high levels.

He agreed with Stalin that some businessmen would object; instead they'd have to learn the "lessons of 1929 and the '30s."

Stassen is readying a Republican New Deal. It stresses stabilization, rather than F. D. R.'s welfare approach.

He's banking on the growing impression among some politicians that the postwar swing to the right is ending.

Thus, if there's a mild but ominous depression next year, he gambles that the G. O. P. will want a candidate with liberal appeal—by name: Stassen.

TREASURY SECRETARY SNYDER denied again this week that he knew of any British plans to ask for more aid from the U. S.

But at the State Dept., there's open talk of another loan to Britain. The questions are: When, and how much?

Fact is that Britain is drawing on its U. S. credit faster than it planned (page 101). It's already used \$1,550,000,000 of the \$3,750,000,000 granted last year.

Tipoff of what's to come will be whether Britain frees sterling by July 15—a condition of the loan. Washington doesn't expect it can do it.

BUREAU OF LABOR STATISTICS puts into figures what you have known all along—strikes are down, wages up.

First quarter '47 tabulations show: 905 work stoppages, involving 290,000 workers. Last year 1,650,000 workers were out in the same period.

Average weekly earnings at the end of April were \$47.47. That ties the war period high of January, 1945. The work week, however, was 4 hours shorter in April.

WAR ASSETS ADMINISTRATION wonders where it'll stand if a business recession shows up.

About one-half the war leftovers remain to be sold. But the cream is gone; the seller's market is winding up.

WAA's impulse is to whoop up a big sale drive. But it's afraid that if it does Congress will tell it to stop—to protect shrinking markets.

Latest WAA rumor: Boss Littlejohn will quit by the end of June.

A LABOR EXTENSION SERVICE bill soon will be dropped into the congressional hopper.

The program was drafted jointly by A. F. of M., C. I. O., and the railroad brotherhoods. They seek bipartisan sponsorship, would like particularly to enlist G. O. P. Sen. Ives, who promoted a similar plan in New York.

The idea is patterned after the Agricultural Extension Service, set up in 1862. Labor hopes it will catch the fancy of those interested in a long-range approach to solution of industrial problems through education of union leadership.

Initial year's cost is put at \$10 million, rising to \$30 million a year after three years. Stassen would have to add another 25%.

Add Donald M. Nelson to the list of prospects for Greek aid administrator. Truman has talked to him about taking the job. . . .

A new tabloid newspaper specializing in government affairs and gossip is due in Washington about May 20. It will appear five days a week, on a slick paper. Editor-Publisher is Edward Mahoney from Liberty Magazine: Its title: "United States Journal". . . .

NLRB reports a backlog of 5,407 cases under the Wagner Act pending at the end of March—second highest in its history, 33% above a year ago. . . .

Those legible, hitherto chaste government work calendars you see in every federal office now bear inspirational slogans for bureaucrats. For May: Actions speak louder than words. . . .

Army has returned to prewar competitive bidding procedure on purchase of most of its requirements.

Dear Boss:

Your idea is paying
dividends already!



"I thought you were getting soft when you said you'd okay a Pullman room on my expense account. But now—after a month on the road since you made that rule—I can see that it's just another sample of your usual good judgment.

"A MAN can sure relax in the privacy and comfort of a Pullman roomette! And get lots of work done, too. Notice how promptly my reports are coming in?"



"A MAN can sure sleep in those full-size Pullman beds! And dressing in the morning is a joy, when you have a room to yourself, with private washing and toilet facilities.



"AND A MAN can sure do a better day's work when he arrives relaxed and refreshed—on dependable railroad schedules! Yes, sir, Boss, the little extra a private room costs pays big dividends!"

Go PULLMAN THE SAFEST, MOST COMFORTABLE
WAY OF GOING PLACES FAST!

NEW CAR NEWS! Luxurious, new Pullman accommodations are already available to you on some railroad lines. And many more new cars are being built. Duplex-roomettes in the price range of a lower berth are an example of modern innovations that are establishing, more firmly than ever, Pullman's long leadership in travel hospitality.

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THE Empire District offers industry seeking profitable opportunity, the finest kind of workers — who give a full day's work for a full day's pay.

The population is better than 99% native born American — with a heritage of independence and industry. They are stable—rooted here and want permanent employment in their chosen land. Turnover is low—production per worker is high—profits are greater. Many have a high degree of mechanical skill—and are quickly and easily trained.

The character of Empire people is reflected in enlightened local labor leadership. Manufacturers locating here can depend on getting a square deal.

Bring your industry to the Empire District — where industrious, intelligent labor, natural gas, coal and oil, excellent transportation facilities, a wealth of natural and agricultural resources, increase the opportunity for success.

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THE COVER

Walter Sherman Gifford has been classed as a "public figure" longer than he has been known as president of a great public utility. Nine years before he succeeded the late Theodore N. Vail as president of American Telephone & Telegraph Co., he came into the public eye as director of the Council of National Defense which Washington created in 1916 under the threat of World War I. In the subsequent war years he served in several similar posts. At the end of the conflict he was secretary of the American section of the Inter-Allied Munitions Council in Paris.

(World War II brought Gifford fresh national assignments, starting with an appointment to the War Resources Board in 1939. It took away his eldest son, Walter Sherman, Jr., killed while serving as a naval officer in the South Pacific.)

• **Strike**—In recent weeks, the black light of the newspaper headlines has played on Gifford's office, at 195 Broadway, New York, as never before. A dragging strike of telephone workers has confronted him with a new type of executive problem. Because A.T.&T. has 48 separate public service commissions presiding over its prices, it insists on dealing with separate unions on wages. This has got in the way of any compromise on the strikers' economic demands.

If the company wins because its independent unions are so weakened by this fight that they can't go on, the A.F.L. and C.I.O. may well make a jurisdictional battleground of the telephone industry. If the present labor groups survive as strong factors, the company faces a determined organization campaign to support certification of a single national union as sole bargaining agent for the whole system. And Congress won't outlaw industrywide bargaining with one employer.

• **Expansion**—Walter Gifford is busy enough without new demands for his counsel. With Bell System telephone installations rising at a rate of 300,000 a month and 2 million applications for service on hand at the end of last year, he is in the midst of a great expansion program. This has already involved extensive financing, and Wall Street expects more (BW—Mar. 15 '47 p93). To A.T.&T., as to all industry, have come higher costs—tough figures even for the man who first won fame as a master statistician.

The Pictures—Press Assn.—Cover, 16, 21, 93; Int. News—17, 88; Harris & Ewing—20; Acme—48, 67, 77, 81; Bachrach—36; Reni News-photo Service—38; Keystone—101; McGraw-Hill World News—104.

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BUSINESS OUTLOOK

BUSINESS WEEK

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Manufacturers of soft goods had their first postwar decline in shipments in March—and they probably experienced a deeper dip in April.

Preliminary figures for March, compiled by the Dept. of Commerce, show a decline of 3% from February (after allowing for the number of working days). The increase in shipments of hard goods failed fully to offset the dip in soft lines.

Here is a situation that could be seen coming months away. However, it was difficult in advance to time the shift exactly.

To the extent that nondurables now sag faster than durables take up the slack, that will be the current rate of the business recession.

This turn of events is a factor in recent price declines. It can mean gradual expansion in unemployment, shrinkage in consumer incomes.

Biggest factor in the downturn in manufacturers' shipments will be the inventory situation.

Stores now don't have to fight for goods to replace merchandise sold (except in certain hard wares). They can order stock as needed. Consequently, pressure is off deliveries.

That accounts for lower volume of soft goods at the factory level. Meantime, many types of durables are still hard to come by; hence they continue to do relatively well, with virtually all lines up in March.

Building materials and nonferrous metals alone among hard goods managed to do only as well in March as in February on a daily average basis. (Building materials' relative slowness might have been written off to seasonal factors had the slack not continued into April and May.)

Inventories had the smallest rise in March since the big push to stock up started eleven months ago.

Manufacturers added a total of only about \$300,000,000 to stocks. That was a rise of little more than 2¼%. And it could have been accounted for entirely by the March rise in prices.

Note that manufacturers of nondurables, sensitive to less urgent demand for their products, added no inventory. The rise was limited to the durable lines for the first time in about a year.

Durable goods lines, as a matter of fact, had the largest inventory rise in March for any month in a long while.

This should mean better balance in most hard-goods plants. It could even mean that some industries need to recheck outstanding orders.

Inventory expansion is gradually losing steam as an expanding factor in our economy. Biggest gain was \$834,000,000 last July. Subsequent increases were: August, \$456,000,000; September, \$420,000,000; October, \$647,000,000; November, \$363,000,000; December, \$363,000,000; January, \$546,000,000; February, \$375,000,000; March \$300,000,000.

Price declines, if they continue, will tend partly to conceal gains in physical inventory just as price rises have exaggerated past increases.

Price declines gradually are becoming fairly substantial.

This is, of course, more true of the more volatile raw materials than it is of the more stable wholesale average. Foodstuffs have declined more than industrial raw materials among the fast movers.

The Bureau of Labor Statistics average of 28 spot commodities has

BUSINESS OUTLOOK (Continued)

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dropped a bit more than 11% from its March peak. But the twelve foodstuffs in this average are down 16% while the 16 industrial raw materials (some of them foodstuffs) are down only 7%.

Foodstuffs, incidentally, started this week at an average level slightly lower than before the start of the January-March upswing.

Meat animals are being pushed to market by the cost of feed.

Hogs, for example, are down nearly \$8 from their top of \$30 a cwt. Corn is down, but by a much smaller percentage. The corn-hog ratio, in fact, has been pushed down to 14-1. Hog sales are up as a result.

Cattle feeders don't watch ratios quite the way the hog raisers do, but they are feeling the effects of the feed price just the same. Cattle slaughter for the week ended May 3 was the biggest May week on record.

Big cattle runs to slaughter were due owing to large numbers on feedlots recently. But the feed squeeze probably hurried things.

Parity prices on farm products have just demonstrated how they are a sliding-scale measuring stick.

Farm prices went down from mid-March to mid-April. At the same time, the prices of the things the farmer buys went up a little.

When cost of purchased items goes up, the farmers' parity also goes up.

Thus support prices went up in the latest month because farm prices slid.

Quicksilver's wartime boom petered out for most of this country's producers a good while ago when the price broke.

Now the low-cost producers who are still operating face renewed competition. The Italo-Spanish cartel is selling at a price equivalent to \$85 a flask (76 lb. each) laid down in this country.

That's about the present market price here. However, nobody knows how long the Italians and Spanish will hold the price up.

Italy lost one of its producing regions in the making of the peace. The Idria mine is in the district ceded to Yugoslavia—and the Yugoslavs are bending every effort to break into the race, even at lower prices.

Principal beneficiary of a price break would be pharmaceuticals; the wartime use as a fulminate in explosives doesn't amount to much any more.

Unexpected receipts of foreign metals will continue to beset American markets. Nations abroad want dollars.

Silver from abroad has restrained that market for sometime. This week a shipment of platinum from Russia knocked the price down \$4 an oz.

American corporations added to their working capital in their first full year of postwar operations. But the gain isn't pure gravy.

Total current assets, the Securities & Exchange Commission estimates, rose \$7 billion to \$104½ billion in 1946. Net working capital, however, increased by less than \$5 billion.

On the current asset side, holdings of cash and government securities dipped under \$37 billion from more than \$43 billion a year earlier.

Inventories and receivables, meanwhile, mounted to \$65 billion from \$49 billion. Thus a good deal of liquidity was lost.

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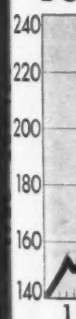
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BUSINESS

FIGURES OF THE WEEK

THE INDEX (see chart below).

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	90.6	96.4	95.1	58.7	97.3
Production of automobiles and trucks.....	107,967	†102,447	97,385	67,060	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$16,506	\$17,758	\$17,716	\$22,198	\$19,433
Electric power output (million kilowatt-hours).....	4,640	4,668	4,693	4,012	3,130
Crude oil (daily average, 1,000 bbls.).....	4,932	4,930	4,892	4,721	3,842
Bituminous coal (daily average, 1,000 tons).....	2,112	†2,142	2,025	137	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	86	85	85	84	86
All other carloadings (daily average, 1,000 cars).....	63	59	53	26	52
Money in circulation (Wednesday series, millions).....	\$28,118	\$28,105	\$28,247	\$27,888	\$9,613
Department store sales (change from same week of preceding year).....	+14%	-6%	+10%	+26%	+17%
Business failures (Dun & Bradstreet, number).....	70	66	71	23	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	398.2	400.2	418.3	272.9	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	267.7	272.9	282.4	172.3	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	333.7	†334.8	342.5	239.2	146.6
Finished steel composite (Steel, ton).....	\$69.82	\$69.82	\$69.82	\$63.54	\$56.73
Scrap steel composite (Iron Age, ton).....	\$29.75	\$29.92	\$35.42	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	21.500¢	21.500¢	21.500¢	12.000¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.67	\$2.69	\$2.61	\$1.72	\$0.99
Sugar (raw, delivered New York, lb.).....	6.19¢	6.19¢	6.19¢	4.20¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	35.69¢	35.47¢	34.82¢	27.38¢	13.94¢
Wool tops (New York, lb.).....	\$1.523	\$1.537	\$1.550	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	25.75¢	25.75¢	25.75¢	22.50¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	117.2	114.7	119.2	146.6	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.15%	3.15%	3.16%	3.01%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.53%	2.53%	2.53%	2.51%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½-1½%	1½-1½%	1½-1½%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	¾%	¾-¾%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	39,769	39,547	38,206	38,242	23,876
Total loans and investments, reporting member banks.....	55,266	55,200	54,846	64,433	28,191
Commercial and agricultural loans, reporting member banks.....	10,943	10,967	11,171	7,473	6,296
Securities loans, reporting member banks.....	1,690	1,582	1,730	4,428	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	34,745	34,865	34,151	45,993	14,085
Other securities held, reporting member banks.....	3,558	3,553	3,545	3,387	3,710
Excess reserves, all member banks (Wednesday series).....	670	672	570	1,111	5,290
Total federal reserve credit outstanding (Wednesday series).....	22,205	22,230	22,758	23,084	2,265

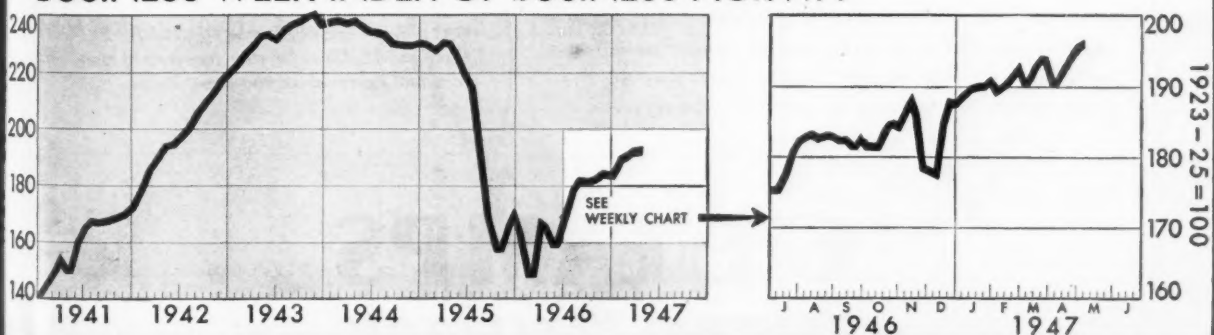
*Preliminary, week ended May 3rd.

†Revised.

‡Ceiling fixed by government.

§Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



Two ways to be particular when you buy Fluorescent Lamps



I

ONE WAY would be to train and equip yourself to recognize quality in every element that goes into a fluorescent lamp. Then, if you're as particular as G-E Lamp scientists are, you'd insist on nothing less than 99.998% *purity* in the drop of mercury that is a part of every fluorescent lamp. Tiny though the drop is, any contamination would raise hob with lamp life. So General Electric developed the apparatus above to purify virgin mercury to within two-thousandths of one per cent of absolute purity! Duplicating G-E's quality methods would be a costly and difficult process. The simplest way to be particular about lamp quality is to merely...



2

INSIST ON THE MONOGRAM

whenever you buy fluorescent lamps for your business and home. This familiar trademark assures you the advantages of all that is latest and best in lamp development. *And General Electric Lamp research is at work constantly to make G-E lamps ever better, and to make them Stay Brighter Longer.

FREE! Write General Electric, Div. 166-B5-10, Nela Park, Cleveland 12, Ohio, for your free copy of new booklet of facts and figures about fluorescent lamps.

G-E LAMPS
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New Credit Byword: Beware

As more businesses seek terms, credit men stiffen requirements, find some collections now come hard. Biggest risks: radio and appliance dealers, women's wear, "war baby" industries.

Credit men can hear a challenge in the marketplace today.

More and more businesses are asking for terms when they buy goods and materials. And some of them have to be watched pretty carefully to be sure the cash is ready when due.

• **Warnings**—When members of the National Assn. of Credit Men meet in New York next week, convention corridors will be full of earnest exchanges of advice on how to meet the challenge. Some of these warnings will become a chorus:

- Take a close look at radio and home appliance dealers' credit applications.
- Watch out for women's wear, jewelry, fur, and liquor retailers, and restaurants and night clubs.
- Be wary of extending credit to manu-

facturers and distributors built by the war boom.

The warnings don't mean that credit men are panicky. Far from it. Business over the country is too good for that. But their job, according to an old definition, is to ignore the silver lining and look for the cloud. And now they think they see a few little clouds gathering:

- Commercial failures are rising again; they had almost disappeared during the war.
- The Census Bureau estimates that in March the accounts receivable of a representative group of wholesalers were up 48% over 1946.
- Collection percentages for the same group showed a significant drop.
- Local associations of credit men report a steady increase in delinquencies, slow accounts, and liquidations.
- **Dark Memory**—Many N.A.C.M. members remember the 1920 collapse. Falling prices knocked the props from under a wobbly credit structure and brought everything down at once. The present credit situation doesn't bear much resemblance to the tipsy pyramid of 1920, but that doesn't mean that accounts can no longer go bad.

When buying slows up and prices start down, a certain number of accounts that now look sound inevitably will go sour. The manufacturer or wholesaler who has the bad luck or bad

judgment to be carrying too many of these shaky accounts is likely to wind up with the sheriff on his doorstep.

One veteran credit man voices a fairly general opinion: "This is the time for a seller to take in his sails creditwise. I saw the textile business through 1920 and 1921. I came out with a hatful of worthless I.O.U.'s and some valuable experience that I intend to cash in on now. I'll give my old customers regular terms—not a day more. Any new customers will pay cash on the barrelhead."

• **Wartime Gravy**—Experience over the last five or six years isn't worth much in sizing up credit risks now. During the war and the first year or so afterward, almost any account was a good account. Even oldtime credit crooks found that they could make more money by selling goods than by bilking their suppliers. If they weren't satisfied with the profits to be made through legitimate channels, they always could take a flier in the black market.

If a company did get into trouble during the war, creditors rarely took a serious beating. Rising prices or government business usually pulled the debtor out of the hole.

In Seattle, for instance, a shipyard found itself owing \$525,000 with nothing in the till. The Seattle Assn. of Credit Men arranged for the unpaid suppliers to hold their fire while the shipyard wound up its government contract and collected the final 10%. Eleven months later, the yard had paid off in full.

• **Peacetime Stew**—Things are different now. The Seattle association is wrestling with half a dozen cases of genuine liquidation, including the tangled affairs of a retailer who threw up a string of stores in the Columbia River basin. Stock



that cost him \$128,000 recently brought a scant \$40,500 at bankruptcy sale.

The most obvious warning signal now in sight is the Dun & Bradstreet record of commercial and industrial failures (chart, page 15). Before the war, failures (defined as any liquidation involving loss to the creditors) averaged about 1,000 a month or a little more. During the war years, they almost vanished; in all of 1944 there were only 1,222, and in 1945 only 810.

• **Failures Climb**—But over the past year, failures have been climbing. Since the start of 1947, the rise has picked up speed. In April, 1947, there were 275 failures, against only 81 in the same month last year. Every failure means that at least one creditor, usually more, guessed wrong.

A check of credit men in various parts of the country brings out the same picture in more detail:

New York—Retailers are extending more credit to consumers. Wholesalers and manufacturers will have to adjust their credit operations to the trend. But they also will have to watch their step. Good looking balance sheets don't mean as much as they used to. It takes more money to run a business now.

Louisville—One textile wholesaler reports that accounts receivable on his

books are increasing at the rate of 2% a month. An office appliance distributor reports a 5% increase since Jan. 1.

Samuel J. Schneider, secretary-manager of the Louisville Credit Men's Assn., says: "While present conditions are not acute, there are sufficient signs to justify caution."

Cleveland—"Credit men are putting applicants through a much stiffer examination than they did a year ago. The shakiest spots are radio and electrical appliance dealers. But you have to keep an eye on small manufacturers who did a big subcontract business during the war and now have no market." Wholesalers find that where bills were paid in cash or within 15 days last year, customers now take advantage of the full 30 days allowed them.

Minneapolis—Brace Bennitt of the Minneapolis Assn. of Credit Men says "war baby" manufacturers account for the great majority of present receiver-ships. Home appliance and radio dealers take second place as a trouble spot. The war boom cleared the books of many stubborn old accounts that could not have been collected in ordinary times. With these out of the way, the percentage of recoveries looks better than it ordinarily would.

San Diego—Lawrence Holzman, execu-

tive secretary-manager of the San Diego Wholesale Credit Men's Assn., reports a 75% increase in the delinquent accounts filed with the association since last January, and adds: "This means people are not paying their bills. The smart credit executive is getting more by referring past due accounts to his credit department." Credit men are also tightening up on terms. Accounts which have been sold on 30 days now are being reduced to weekly or semi-monthly terms.

Lines that have been hard hit include appliances, women's wear, liquor, restaurants, night clubs, jewelry, and furs. Stores with a varied line of merchandise seem to be a better bet than those that specialize.

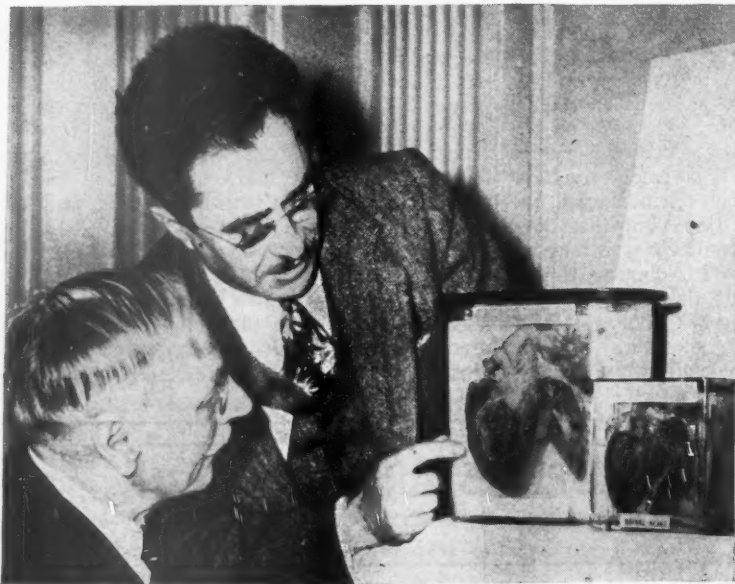
San Francisco—Credit men have tightened their terms, have to work harder for collections. The consolidated overdue list maintained by the Credit Managers Assn. of Northern & Central California has been growing steadily since last December. Most of the delinquencies have been in wholesaling. The only real trouble spot in manufacturing is frozen food processing (BW-Mar.29'47,p21), where several firms have taken a bad beating.

Seattle—Collections through the Seattle Assn. of Credit Men are three to four times what they were during the war but are not yet up to the prewar level (either in number or in dollar volume). Credit men are stiffening, especially on new applications. "Many retailers are skating on thin ice. They don't have the capital or the experience needed for rough going."

• **Weeding Out**—Experienced credit men, sizing up the nationwide picture, conclude that the situation calls for careful handling but no general crackdown. No manufacturer or wholesaler can do business without extending a certain amount of credit. The problem is not to cut down the receivables, but to weed out the bad risks.

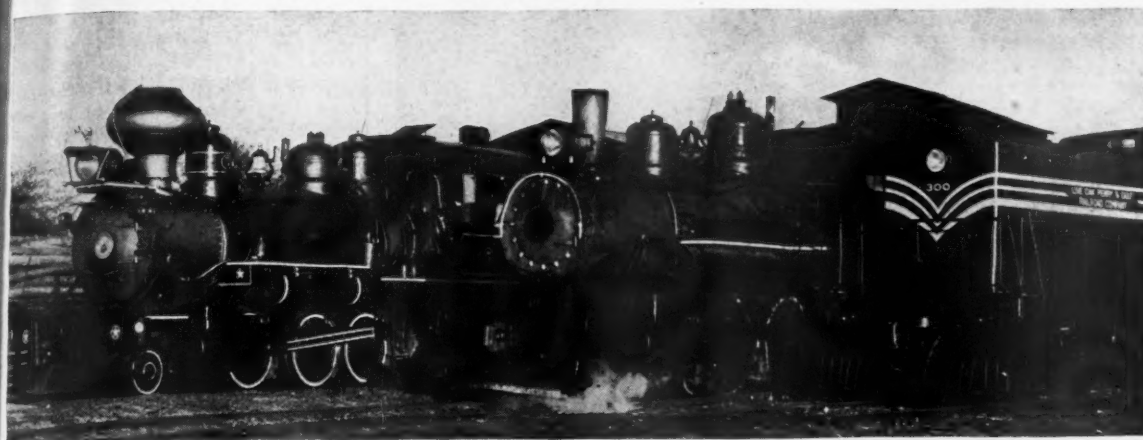
There are even cases in which a supplier will deliberately take on doubtful accounts to move goods he can't clear otherwise. One man outlines his reason for doing this way: "If you're a wholesaler with a stock of war-built merchandise that now can only be considered surplus, you'd be smart to extend easy credit to any retailer who would take this stuff off your hands. You take a gamble that you would not normally take, and you have accounts receivable instead of cash merchandise."

• **Selling Credit?**—Even cautious credit men say this is all right if the supplier knows what he is doing. The danger, as they see it, is that unwary manufacturers or wholesalers will start selling credit instead of merchandise when the demand for goods falls off. It wouldn't take much of that to set the stage for a real collapse when prices start to grow



A BIG HEART CAN BE DANGEROUS

High blood pressure and hardening of the arteries eventually kill half of all businessmen, lawyers, doctors, and newsmen. So says the Chicago Heart Assn., out to stop it. At a special meeting Dr. Louis N. Katz (right) and his colleagues told businessmen that long hours, infrequent vacations, working at home help develop the outsize heart—symptom of heart ailments. The medics recommended taking it easy. Give up smoking, sip a cocktail before meals to encourage relaxation, they added.



A NECESSARY CHANGE IN DIET

A family portrait of three generations of Florida's Live Oak, Perry & Gulf R. R. locomotives underscores the change in railroad fashions. Before Pearl Harbor, Old No. 5 (left) and three other old engines were content with a diet of wood. It was plentiful and families along

the 59 mi. of trackage made a livelihood selling it for \$4 a cord. Then war and the lure of high-paying jobs, plus competition for the wood from pulp mills, created a shortage. So the railroad converted all but No. 5 to coal. And there's small chance of a return to the past. The line, which hauls lumber for Brooks Scanlon Corp., recently bought two 70-ton diesel-electrics.

Industry to Train Army

Experience in last war leads Army to give "bright young men" a thorough grounding in production, procurement, personnel. Will go to college, then work as assistants to civilian executives.

The U. S. Army learned from World War II that it takes a great deal more than powder and ball to defeat a modern enemy. The lesson came expensive—bitterly, and late—almost too late.

New "Know-How"—The Army has not forgotten that lesson. It is now starting a so-called Army Training in Industry Program. The objective is to prepare the Army's "bright young men" for future war use in production and procurement. These officers will give the Army a know-how which it didn't have in the last war.

The nub of that know-how is how to live with industry. Early in the war, the Army's lack of industrial knowledge was a terrific bottleneck. It knew nothing about standardization, manpower shortages, machine-tool requirements. Instead, it ordered equipment which it could have been impossible to make for years—and expected it to come rolling out the other end. The new program is aimed at preventing the Army from making this mistake again.

To accomplish that, the Army recognizes that it cannot rely on the high-speed, touch-and-go kind of training programs it gave its men during the last war. At that time General Motors, for example, was turning out some 500 air-

craft engine specialists a week for the Army (BW—Jan. 16 '43, p74).

• **Big Project**—By contrast, this will be a thorough, long-time project. Selected men, old enough to know the Army but young enough to assimilate instruction, will first be sent to an accredited college or university. (Among the courses: Administration in Business, Job Analysis.) They will study for a year or more, depending upon the particular course.

From college they will go to industry, serving as assistants to production, personnel, and other key executives. After they have been thoroughly steeped in the company's problems and operations, they will go back to Army headquarters. There they will spend another year correlating their particular skill with the office to which it applies in the service. Finally, they will be turned back to the duty tour which marks all careers in the Army.

• **Two Parts**—There are two major divisions in the program. The first is production and procurement, and will be carried out by each branch of the service—ordnance, air, chemical, etc. After a year of schooling, the dean will select the honor graduates, send them on for additional, more technical study. Then they will go to industry. This

means a basic three-year course, and possibly more.

The second division is personnel, conducted by the War Dept. as a whole. Men in this group get just one year of college before their business study. After the latter, they go on duty in their particular branch headquarters.

• **Cooperating Industries**—Some 40 industries so far are prepared to cooperate in the program. G.M. and Ford Motor Co. are reported to be among those working with the Army on production and procurement. In personnel, those who have offered to cooperate include the Metropolitan Life Insurance Co., Inc., and Standard Oil Co. (N. J.). Companies are selected for specific angles in personnel work and training of leaders.

• **Pioneer**—One of the first ventures in coordinating officer training with industry has been started at the Fort Leavenworth (Kans.) Command & Staff School. The Army went to M. M. Gouger, personnel director of Transcontinental Western Air, Inc., in Kansas City, 40 miles away. He agreed to help out. First, he held two lecture-conferences about the program at Fort Leavenworth.

Out of these came a plan. It includes assignment of Army and Navy officers to work with TWA for as much as a year. Students will be taught airline methods, procedures and problems, plus the physical setup of a worldwide transportation system. TWA, in turn, will familiarize itself with Army and Navy needs, problems, and objectives.

To get other industries interested, a



INDUSTRIAL LESSONS FOR THE MILITARY

At Studebaker's plant in South Bend, Ind., high-ranking military officers learn what makes the amphibious Weasel work. The session was part of a week's tour of industrial areas by students at the Industrial College of the Armed Forces, Washington, D. C. The college plans a series of such tours. Object: to study U.S. manufacturing methods at first hand for better correlation of military and industrial programs in emergencies.

30-day "familiarization conference" will begin next month at Fort Leavenworth. Representatives of some 30 industries will be invited to participate.

• **Expansion**—Gouger is connected with the program primarily because of his experience in wartime expansion. In the early days of the war, he was with the National Tube Co., a subsidiary of United States Steel Corp. Then he went to the Pittsburgh Plate Glass Co., joining TWA in 1946.

All these concerns expanded rapidly. TWA's extensive overnight growth (from 3,000 to 17,000), and its importance to transportation, are key reasons for its inclusion in the plan. Also, its growing pains are thought to be similar to what the Army might encounter if called upon for sudden expansion.

Ferguson Expansion Postponed Indefinitely

Harry Ferguson, Inc., has come a cropper in its ambitious plan to manufacture tractors in its own shop (BW—Feb. 1'47, p. 20). This week the company announced indefinite postponement of its scheduled public offering of preferred and common stock. That means that the program that was mapped out for converting and equipping the Cleveland war plant Ferguson bought for \$1,900,000 from the War Assets Adminis-

tration will have to go on the shelf.

• **The Offering Registered**—Registration statement for the stock offering was filed with the Securities & Exchange Commission Mar. 31. It comprised 100,000 shares of 44% cumulative preferred (\$50 par) and 250,000 shares of common (\$1 par). Roger M. Kyes, 41-year-old president of Ferguson, blamed the postponement on unfavorable stock market conditions.

Ferguson expected to realize about \$7,700,000 from the sale. Of this, it planned to spend about \$1,750,000 on special tools and equipment for production of tractor parts in plants of suppliers; \$1,350,000 for converting and equipping the Cleveland factory as a tractor assembly plant. The remaining \$4,600,000 was to be added to working capital, which had been depleted by the purchase of the plant.

• **Control**—Even after the public offering, control of the company was to have remained firmly vested in the management. Only the common stock has voting power; there were to be 1,450,400 shares outstanding, including the 250,000 sold publicly. Of these, 800,400, or about 55%, are owned by Harry Ferguson Holdings, Ltd. This, in turn, is practically 100% controlled by Harry G. Ferguson, founder and chairman of the corporation.

An attempt to replenish working capital by selling the Cleveland plant to an insurance company, getting it back

via a long-term lease, bogged down how the company is going to assemble new tractors after July 1 remains a problem. Until then, they will be made by Ford Motor Co. (as they have been since 1939). But that's the effective result of Ford's termination of the working agreement between the two companies.

• **Question**—In any event, manufacture of tractor equipment and farm implements by the company's suppliers is to continue. But the equipment is designed to be used with Ferguson tractors. If new tractors are produced, it's a question of how long it can continue to be sold.

PROGRESS AT DAINGERFIELD

Lone Star Steel Co. has straightened out its blower difficulties at the Daingerfield (Tex.) iron works which it bought last March from the War Assets Administration (BW—Mar. 15'47, p. 20). Lone Star has purchased an additional blower from WAA, and has made a deal with the Navy on use of blowers at plant which will permit about 90% operation of its blast furnace.

The Daingerfield furnace needs a steady air supply of some 80,000 cu. ft. per min. to operate at full capacity. There are three blowers at Daingerfield—two 100,000-c.f.m. units and a high-pressure one supplying 10,000 c.f.m. However, the Navy has been using both of the large units in wind-tunnel work. As Lone Star's efforts after buying the plant to exert pressure on the Navy, through government agencies interested in increasing output of iron, were unsuccessful in getting the Navy out.

Lone Star has now arranged to get the use of one of the big blowers all except 120 hours a month. It is converting the high-pressure blower to produce about 35,000 c.f.m. at low pressure. And it has bought from RFC a 25,000-c.f.m. blower now at the Chesapeake (Pa.) iron works. Thus, as soon as the blower is moved to Texas, Lone Star will have a minimum of 60,000 c.f.m. available at all times.

STANDARDS FOR OFFICES

Have you ever wished that all voices were the same size for easy filing? They will be, if the newest branch of the American Standards Assn. finally bears fruit. The A.S.A. is organizing a committee to work on standardizing of office supplies, equipment, and procedures. The committee met in New York City this week.

Twenty-nine organizations interested in the development of office standards attended. Groups invited to participate in the program represent a cross-section of those who make, sell, and use office equipment and supplies. Canadian and Mexican standards groups also were invited to send representatives.

Slump in Shoes

Retailers, disappointed by recent sales, cut forward buying, ask lower prices. Some makers say costs must drop first.

Shoe manufacturers are beginning to feel the kickback (chart) from the disappointing record of sales at retail.

Wholesalers and retailers, still carrying heavy stocks bought before Easter, now are playing their cards close to their chests. They are buying only 60 days ahead instead of the 90 to 120 days that has been customary in recent years. Most of them are also putting the pressure on manufacturers for lower prices in their shoes.

Disappointing Show—Sales at the New York shoe show last month were 35% to 50% below expectations. The trade takes some comfort from the fact that the show was held two months earlier than usual, which means that

buyers still have time to get additional fall orders in. But there is no way to duck the fact that retail sales have taken a sharp slump.

Dealers report that unit sales on women's shoes in the first four months of this year ran anywhere from 20% to 50% below expectations. Men's shoes were down about 30%.

• **Will Prices Drop?**—The big issue in the industry now is prices. Wholesalers and retailers generally expect a break in prices before fall. They will stick to hand-to-mouth buying until it comes or until something persuades them that it is not going to come at all.

Opinions differ among manufacturers. Several of the largest companies admit privately that they think a substantial drop is coming within the next few months. One says 60 days at the outside.

But an equally important group of manufacturers sees no price reduction in the cards this year. For instance, Byron A. Gray, president of International Shoe Co., St. Louis, says: "There is every indication that demand will continue greater than the amount we can supply. There is nothing in the present situation to justify a change in International's prices."

• **Pattern Lacking**—Old hands in the trade point out that there is no uniform pattern to shoe prices these days. With the end of price control, individual manufacturers raised quotations according to their own judgment. Consequently some are comparatively much higher than others.

Marginal producers and manufacturers, who boosted quotations more than the rest, are running into trouble now. Companies with well established, branded lines, who raised their prices relatively little last year, still are doing a good business.

• **Costs Still High**—Manufacturers argue that there is no way they can bring prices down until they can cut costs. Hide and leather prices have softened a bit recently but they still are close to record levels. Wage increases granted during the war are more or less permanent—at least until a general economic letdown.

Nevertheless, the first cuts in retail prices are beginning to show up in some of the big shoe chains. If they spread to retailers generally, manufacturers might have to string along by lowering their prices.

Thom McAn stores knocked down their line from \$5.95 to \$5.65 at the beginning of this month. The Spencer Shoe chain followed immediately with a \$1 cut—from \$5.95 to \$4.95. Now Spencer says that it is doing so much additional business at the lower price that it will be able to hold the reductions, at least through the summer months.

Chrysler Builds

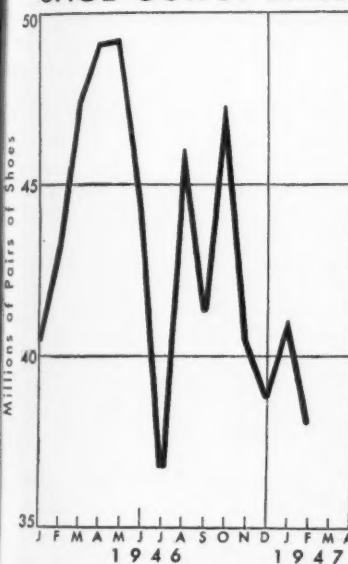
Company's Delaware plant, its first on East Coast, will allow freight rate advantages enjoyed by Ford and G.M.

Chrysler Corp.'s first major expansion outside of Michigan in many years is taking shape near Newark, Del. A large new plant there will build and distribute parts throughout the East.

The application, approved by the Office of the Housing Expediter in Washington, specifies the plant as a \$3 million construction job. It will cover 650,000 sq. ft., and will make a variety of small parts and subassemblies. The unit will also function as a depot for handling and shipping along the Atlantic seaboard.

• **New Departure**—Plans for the new Chrysler operation were of interest to

SHOE OUTPUT DIVES



U.S. Dept. of Commerce. © BUSINESS WEEK

The pressure on shoe manufacturers for lower prices shows up in the output figures. In April and May, 1946, the industry was running about at capacity, just under 50 million pairs a month. Production slumped in July when price controls went off temporarily and hide prices skyrocketed. By fall, it was back above 45 million a month. Then consumer resistance began to make itself felt. Now many New England shoe factories are down running on half time.

WITHOUT NEEDLES



Several hundred thousand New Yorkers, nursing sore arms after the city's recent mass smallpox vaccinations, would have relished this: It's a new instrument called the Micro-Jet, now undergoing clinical evaluation. Micro-Jet is designed for less painful shots. It doesn't use a needle, and its developer, Detroit's Gelatin Products Corp., says it leaves no tear or puncture.

On one end of the Micro-Jet is a container the size of a .22-caliber cartridge, which holds the hermetically sealed serum. A spring inside the Micro-Jet provides pressure to eject the medication from a tiny opening into the porous skin. Production awaits the clinics' approval.

the automotive community on several counts.

- It marked the first time Chrysler has manufactured on the East Coast, while Ford and Chevrolet have operated there for some time.

- Auto men took the decision to build the plant as meaning that the tightly scheduled basic Chrysler factories in the Detroit area have finally become loaded

to their complete capacity. Chrysler's operating policies have always called for full use of all its present plants before authorizing new ones.

- Some auto men think, too, that recent freight rate determinations of the Interstate Commerce Commission may have had something to do with the plans for building. For years Chrysler has protested to the government that multi-

plant firms, like G. M. and Ford, had unfair freight rate advantages in their outlying operations (E-W-De '45,p31). But the company was unable to get rates shifted to what it considers a competitive basis. Hence Chrysler may have decided it might well take advantage of what it has maintained are discriminatory tariffs favoring plants far from Detroit.

Rep. Stefan—a Specialist on Cutting Out Expense

The Republican creed on appropriation bills this year is to cut everything to the bone—and then amputate anything that looks like New Deal waste and extravagance.

G.O.P. leaders are satisfied that Rep. Karl Stefan is one of their best surgeons. His scalpel work as chairman of the House subcommittee handling the State-Justice-Commerce-Judiciary appropriation bill was evident this week. The bill was sent to the floor with nearly \$163 million cut from budget requests.

Here are the amounts the committee recommended, and the depths of its slashes from what the Administration asked:

	Granted	Cut
State Dept.....	\$219,128,058	\$60,409,565
Commerce Dept....	191,057,000	95,932,000
Justice Dept.....	108,396,500	3,073,500
Judiciary	17,156,450	3,468,450
Total	\$535,738,008	\$162,883,515

- **Insight**—The big Commerce cut gives an insight into the Stefan operating technique.

The Civil Aeronautics Administration was pruned most severely. Here \$70,487,000 was trimmed, largely by slicing the federal airport program from a proposed \$65,000,000 to \$32,500,000, and the installation of air navigation facilities from a proposed \$36,308,000 down to \$17,638,000.

The department's statistical and service divisions did get some trimming. For instance, the Census Bureau asked for \$19,205,000, got \$10,500,000. But the bill allows \$4,000,000 for a census of manufactures.

The Bureau of Foreign & Domestic Commerce was cut by \$4,675,000. Most of the reduction will have to be borne by reducing the number of information bulletins and cutting the field offices from 77 to 40. The Bureau of Standards was cut back from a proposed \$8,000,000 to \$6,000,000; the committee felt that "much of the research and testing work presently performed and proposed for 1948 is duplicated by private industry."

- **Vital**—Important as the commerce phase of the bill is to business, the other sections are not to be ignored.

Foreign trade is involved in funds for the State Dept. Policing of domestic competition and monopolies is financed with funds for the Justice Dept. Antitrust Division. The federal judiciary system which inter-



Rep. Karl Stefan

prets many laws affecting business is similarly supported.

- **Man to Watch**—Who is the man in charge of the legislation which controls these agencies' funds?

He is a hard-working, conscientious ex-newspaperman from Nebraska. At 63, he is in his seventh congressional term.

Stefan began earning his own way as a kid in short pants hawking newspapers on the streets of Omaha. He demonstrated his capacities for work and success early by (1) grabbing and holding the best corner in town, and (2) simultaneously holding a job

as Western Union messenger between editions. Two jobs weren't enough to exhaust his energy. So he learned telegraphy in his spare time.

Telegraphy took him around the world. His journeying included a visit to his Czechoslovakian birthplace. Telegraphy made it possible for him to get a job on his return as wire operator-editor of the Norfolk (Neb.) News. In fact, he was practically its whole staff.

His appetite for work still wasn't satisfied so he wrote thrillers for pulp magazines. He also became one of radio's first news commentators.

- **Tagged for Congress**—He made so many friends that local G.O.P. leaders put the finger on him to run for Congress in 1930. He has been representing 24 northeastern Nebraska counties ever since.

Friends say that Stefan knows every voter in the district on a first-name basis and can stay in Congress as long as he desires.

- **Headline Maker**—Fellow congressmen and Capitol Hill newsmen admire his talent for turning up with a headline. He can do it, too, without making a floor speech. A recent example was Stefan's blast at the State Dept. for an exhibit of modern American art being shipped around the world.

- **Behind Closed Doors**—He works just as effectively without fanfare. Commerce and State Dept. witnesses found this out during hearings on the current appropriation bill.

The Commerce Dept. had an \$85,000 item to continue a project for a magazine called Federal Science Progress. Stefan challenged government competition with private publications. The magazine was dropped.

The State Dept. planned to collect data on political big-shots around the world. Stefan said no.

"They were getting out a World Who's Who on any one they suspected was going any place politically any place in the world," he objected. "It looked like an awful waste of money and I told them to cut it out."

Making Flour by Air Blast

Midwest Research Institute experiments with exploding heat grains apart by pressure, allowing germ to come free in one piece. Millers see possibilities, but process needs refining.

Flour millers are studying with cautious interest a new way of making flour: exploding cereal grains with compressed air or other gases.

Product of the two-year-old Midwest Research Institute of Kansas City (BW-Sep. 7 '46, p21), the pneumatic process still is in the laboratory stage. Next step will be investment of \$100,000 in a pilot plant to test the method on a semicommercial scale. These tests, using various grains, may take two years. Hope is to have industrial cereal firms assist in the studies and in the financing.

Present vs. New Process—Conventional method for making flour is to grind it between cylindrical rollers. By a succession of grindings and siftings, the endosperm (flour part of the kernel) is separated from the husk and bran. The endosperm, in granular form (farina), then is crushed between highly polished rolls until sufficiently fine to pass through silk cloth. The final product is flour.

The institute's process is entirely different. Wheat (or other grain) is placed in a metal cylinder. An air

compressor puts the grain under pressure, and compressed air fills the tiny pockets in the grain. A valve is turned and the wheat shoots out through a small nozzle. This releases the pressure of the air within the grain instantaneously, and the kernels are blasted apart. (This process is called "explosive dissociation.")

The "blasted" mixture of whole-wheat bran, wheat germ, cracked bits of endosperm, and flour can be segregated. Larger pieces then can be recycled, as in standard milling operations.

• **Not Like Puffed Wheat**—Institute officials emphasize that their process differs radically from the manufacture of puffed wheat or puffed rice.

For that purpose the grains are placed in containers and subjected to steam under high pressure. The container lid is blown off, and the steam-soaked grains swell to many times their normal size. But they do not shatter.

• **Germ Is Freed**—One definite result of the institute's new blasting process has aroused the interest of millers: The germ—the part that starts the roots and new plant—comes free in one piece.

In the conventional milling method, some germ usually is retained in the flour. Too much germ produces a flour that tends to spoil. The industry would welcome a simple method that removes it. Drug firms, vitamin manufacturers, feed concerns probably could use the germ. It is an important source of vitamin E.

• **Looks Like Whole Wheat**—At the present stage, the wheat flour produced by the institute's process resembles whole-wheat flour. Test bakings produced a loaf that was slightly gray in color and bore a slick crust.

To supplant present methods, however, the process must be improved, milling men say. More of the bran must be removed, so that a white flour can be produced. Whole-wheat bread accounts for only about 2% of all the bread consumed—despite all the ballyhoo given it by nutritionists.

• **Tests Will Tell**—How feasible the process will be in the final making of flour will be determined in future tests. Conceivably it might substitute for certain phases of milling and cereal processing—such as removal of the germ.

Much work remains to be done in

testing the effects of various pressures and of various exposure times under pressure. Enough has been done in this line to show that controlled pressures and periods affect the preferential job of separating parts of the grain.

• **Data Wanted**—Thus far only wheat, oats, and barley have been tested. But institute researchers see no reason why it won't work on rye, flax, and other grains—possibly even corn.

Technical men from leading milling firms in the U. S. and Canada are investigating the pneumatic process. They see possibilities. But they want to know more about costs, plant engineering, product quality, and product control. Given the answer to these questions, they will be able to determine whether this presages a milling revolution or is merely a novel laboratory technique.

Camden Courier-Post Gets New Owner

The two Camden (N. J.) newspapers formerly owned by J. David Stern have been sold. That's no surprise; sale has been expected ever since the Philadelphia Bulletin took over all of Stern's strike-bound properties last Jan. 31 (BW-Feb. 8 '47, p16).

But the identity of the purchaser was surprising: Harold A. Stretch, advertising manager of the Bulletin's only competitor, the Philadelphia Inquirer. Stretch heads a syndicate which is identified only as being a group of Camden citizens and others who have business interests in the area. Purchase price is said to be in the neighborhood



Harold A. Stretch



The machine that mills with compressed air feeds grain from cylinder A through passage B. There it's subjected to compressed air from pipe D. It then shoots through nozzle at C and explodes. Passing through conical separator E, particles drop from the air stream, emerge at F.

of \$3 million, with the liberal amortization terms of \$500,000 a year for five years.

• **Principal Asset**—Before they suspended publication, Camden's morning Post and evening Courier had a combined circulation of nearly 85,000. They had long been regarded as Stern's principal publishing assets; rumor had it that their profits helped make up the Philadelphia Record's losses in lean years—despite the Record's much larger circulation.

The Courier will resume publication next Wednesday evening, the Post the following morning. Stretch will be publisher, as well as president of the new company, Camden Newspapers, Inc. He is a native of New York City, has been associated with advertising since 1909. He worked for various Hearst newspapers for 14 years before joining the Inquirer in 1938; he resigned his post there, of course, upon taking over the Camden venture.

Costume Jewelry

With return of hard goods, bauble makers were among first to feel the pinch. Sales and profits have tumbled in year.

Manufacturers of costume jewelry are feeling pretty glum about the immediate future. They went on quite a sales jag during the war-boom years. And now they are suffering from the hangover.

Coro, Inc., one of the major companies in the industry, held its annual meeting this week. President Gerald E. Rosenberger told his stockholders that the company's net for 1947's first quarter was about \$250,000; in the comparable 1946 period it was \$603,000.

• **Impact**—In the years through 1945, costume-jewelry makers could sell just about anything and everything they

could turn out. When scarce hard goods started reappearing again about a year ago, jewelry was one of the first lines to feel the impact.

The 1946 Christmas trade was a distinct disappointment. For example, Federal Reserve Board statistics on department stores show that over-all sales (dollar value) were up 22% in December, 1946, over December, 1945. But sales of jewelry rose only 6%. It was worse this year. In January, total department store sales were 14% higher than last January; jewelry sales were 2% lower. In February, the total was up 5%; jewelry, down 4%.

• **Inventory Worry**—One of the jewelry makers' worst problems today is too much high-priced inventory. Brass used to be the principal material for fashion jewelry; during the war it wasn't available. So the manufacturers turned to silver, which sold readily despite its higher price.

Now that brass is back, silver and silver jewelry on hand constitute a white elephant. The smaller manufacturers can't stand the markdowns necessary to get rid of it. Even the larger plants are feeling the pinch.

Right now, it looks as though the principal divisions of the industry would shape up this way:

Silverplate—Fairly satisfactory year-end trade is in prospect, barring a major general depression. Inventory problem isn't serious. Demand is comparatively stable. Moreover, most companies are old-line firms. They have been through the boom-bust mill before.

Silver Costume Jewelry—Inventory problem is worst here. Makers that formerly used brass are switching back. But those that have always used silver find their machinery isn't right for the shift. They are casters; brass jewelry is a stamping, assembly-line job.

Brass Costume Jewelry—This division is trying to recapture its prewar trade. Much depends on over-all consumer ability to spend, and on willingness to buy jewelry. One bright spot: There's an irreducible minimum of assured business. Women's dresses and coats have to be trimmed.

AD BOOSTS COMPETITOR

The General Tire & Rubber Co. last week burst forth with an unusual advertising twist—boosting a competitor. In full page ads in many newspapers, it urged its readers to listen to a radio program "called 'The Greatest Story Ever Told' . . . sponsored by The Goodyear Tire & Rubber Co. . . . it draws upon incidents in the Bible to refresh people's minds about the most radical doctrine ever preached. Then the ad went on to its main theme: Such a doctrine couldn't be broadcast in Russia under Communism."

What's The Big Idea? A 20% Price Cut

Seldom had the little town of Hammond, La. (1940 pop.: 6,033), seen such a circus.

Its citizens had a chance to win a prize by guessing when a straw hat, frozen in a block of ice, would thaw out. On the streets, a Crossley car would drive up to crowds of bystanders, unload a team of cowboy entertainers who went into their pitch. A baseball clown turned up all over town doing crazy stunts. Overhead there were blimps. And an airplane (picture) would circle over groups of ten people or more and blare: "What's the big idea? The big idea is a 20% cut in prices at Ball's and Ballson's."

• **One-Man Newburyport**—Responsible for all this was Sam Ball, who owns two local stores, Sam Ball, Inc., and Ballson's. Concerned over high prices, he decided to become a sort of one-man Newburyport (BW—May 3'47, p17)—only more so. He went to Caire Associates, a New Orleans advertising agency, to get help to put over his 20% price cut. A bang-up, two-week campaign put it over.

The blueprint originally called for intensive newspaper and radio advertising. Full-page ads quoted Truman's call for lower prices and pointed to the gloomy outlook for local strawberry farmers, whose yearly crop had just been largely rained out. Then they intoned: "We feel a keen sense of community obligation to work for our President and . . . with our own folks here in Tangipahoa

Parish (County). Therefore we are trying a BIG IDEA!" Radio advertising took the entire time of a local radio station.

• **Crazy Cajun**—The plans spread out when Ball told Caire to forget about cost. (The promotion expense has far exceeded the higher profits resulting from the increased volume.) Caire, given a free hand, added to the regular advertising the aerial display and the stage characters.

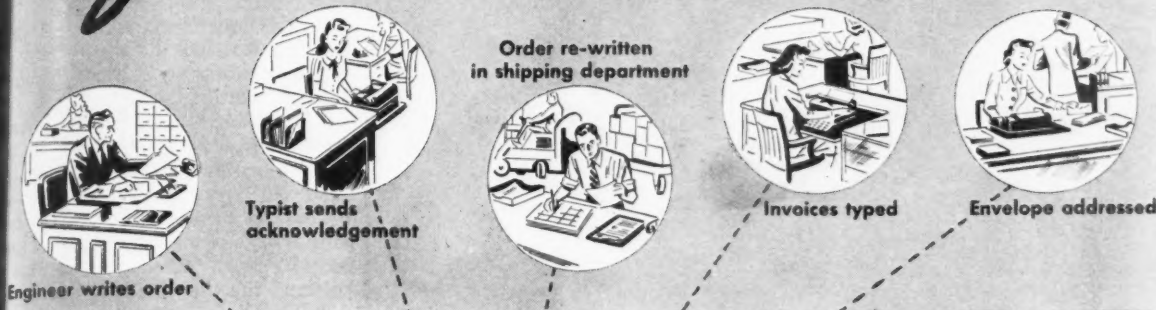
And on Saturday night, even the admen got into the show: R. J. Caire, the agency head, did an hourly spiel as the Crazy Cajun.



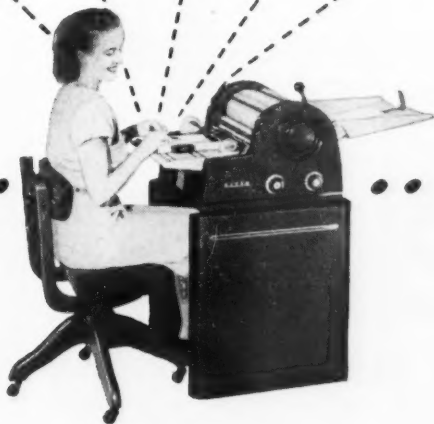
Ben Ball, plane, and cheesecake

CASE HISTORY NO. 4403

Before... 5 WRITINGS



After... 1 WRITING



**"DITTO SPEEDS AND
SIMPLIFIES ORDERING,
SHIPPING AND BILLING
... SOLVES BACK-ORDER
PROBLEMS."**

MERRIMAN BROS., Inc.

Prior to installing a Ditto One-Writing Order and Invoice Plan, Merriman Bros., Inc., of Boston was faced with a critical back-order problem. Errors were numerous. Costly re-writings, often as many as 10 to 15 on back orders, impeded the efficiency of three departments . . . ordering, shipping and billing. Since installing Ditto, all writings have been reduced to one; the activities of the three departments have been integrated and coordinated.

Ditto's flexibility makes it equally effective as the One-Writing answer to Payroll and Purchasing Problems. Write for convincing proof of how Ditto can help you. Ask for Case History No. 4403.

DITTO, INC., 670 South Oakley Blvd., Chicago 12, Illinois
In Canada: Ditto of Canada, Ltd., Toronto, Ontario

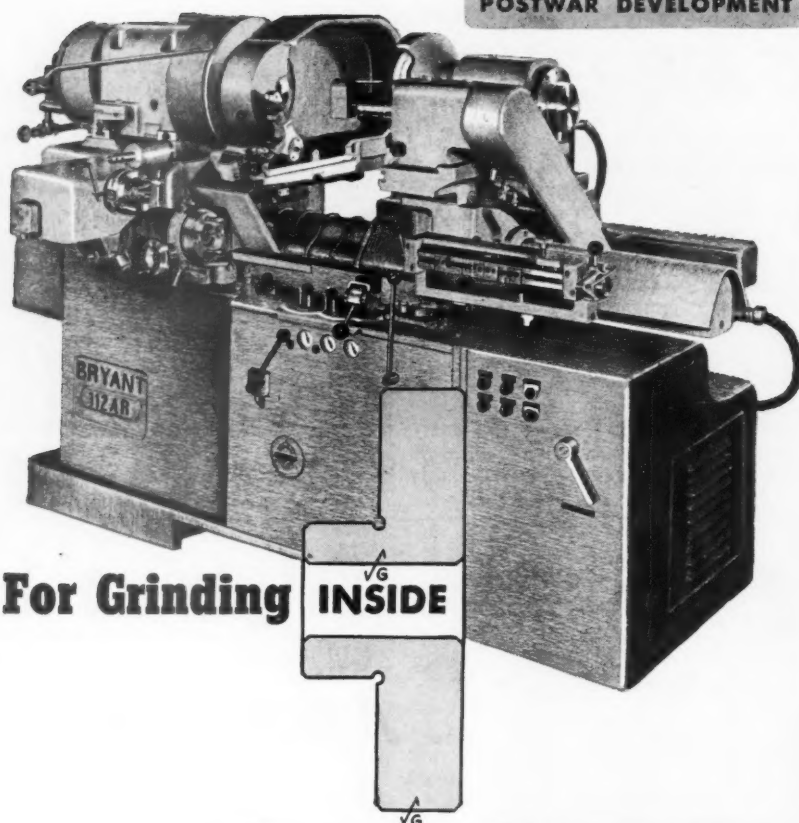
DITTO

TRADE MARK REG. U. S. PAT. OFF.

ONE-WRITING BUSINESS SYSTEMS

THE NEW NO. 112-AR

ANOTHER BRYANT
POSTWAR DEVELOPMENT



For Grinding **INSIDE**

and **OUTSIDE** Diameters
in a Single Chucking

The new No. 112-AR Bryant fills the need for a fast, precise machine for grinding internal and external diameters in a single chucking of the work — for reducing production time on parts where concentricity is an important factor. The 112-AR has two wheelheads carried on a common longitudinal slide. The workhead indexes from one spindle position to the other on a transverse slide, and is controlled by separate feedscrews at each of these positions. This machine will grind two separate diameters, one of which may be an outside diameter, as well as the face of the work. For facing operations, a turret stop and axial feedscrew are provided.

A similar machine, the new No. 112-AH, is designed for grinding one inside diameter and a face to extremely close squareness limits. This machine has a feedscrew for internal diameter control and an axial feedscrew for facing operations.

These two hydraulically operated grinders have a maximum swing of 16" and grinding stroke of 9"; workhead is adjustable to grind an included angle of 90°.

Send for the Man from **BRYANT CHUCKING GRINDER CO.**
SPRINGFIELD, VERMONT, U. S. A.



BRYANT

Mixer Campaign

Cincinnati flavor maker aims at national distribution for its Tom Collins, Jr., by furnishing the know-how.

A Cincinnati maker of soft-drink concentrates has hit upon a new way to establish one of its flavors as a major bottling-franchise item.

A. J. Lehman Co. is furnishing ready-made know-how to "green" franchise holders—usually veterans who can get sugar and machinery priorities.

• **Tom Collins, Jr., Born**—The company has been making soft-drink products 50 years. It sells a full line of bottlers in the United States and abroad. During prohibition, Lehman devised a drink mix called Tom Collins, Jr. It would mask some of the



Philip Steiner, bottlers' booster.

worst rawness of bathtub gin, and enjoyed a reasonably good sale. With repeal, Tom Collins, Jr., was converted to a general mixer-beverage of the type called lithiated lemon. For the most part it was bottled under minor franchisees.

Sugar and the bottle shortage were damaging to all minor-league franchise drinks during the war. Now Lehman is out to make Tom Collins, Jr., a nationally sold product.

• **Capital Required**—Lehman does business with established companies, but the heart of the revival lies in the program of finding newcomers who can learn the bottling business.

The applicant must be able to fur-

What unseen force HANDICAPS all these people?



Office Worker. She can't concentrate. She makes lots of mistakes. Her work output is low in quantity and quality. She is often absent. All the girls around her suffer from the same symptoms. Why? Because they are tired and confused all day long by irritating, distracting noise . . . from office machines, telephone bells, loud conversations, and intruding street sounds.



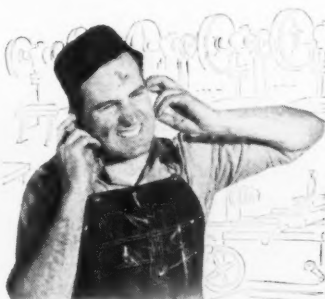
Schoolboy. He has just received another poor report card. It will puzzle his mother; she knows he's intelligent. The trouble is he just can't think in school. Often he fails to hear the teacher correctly. Distracting NOISE is his handicap . . . corridor and street traffic, chalk on blackboards, windows raised and lowered, doors slammed, the buzz of schoolroom activity.



Hospital Patient. She isn't getting well as rapidly as she should. Noises are taking their toll, making her taut-nerved, mentally uncomfortable. Super-sensitive to sound because of her indisposition, even ordinary noises are magnified. Footsteps echo in the corridors, voices pound against her eardrums, dishes rattle, doors slam. Street noises, too, hammer at her nerves.



Restaurant Owner. He is worried. His food is good. His waiters are courteous. His location is ideal and his establishment pleases the eye. His prices are fair. Yet customers come once and seldom return. They prefer *quiet* restaurants, where they can converse without shouting, where waiters hear orders correctly, and where a peaceful atmosphere promotes relaxation.



Factory Worker. He is "fed up," ready to quit just as many of his fellow workmen have done. "I can't take it," he says. "The noise is driving me nuts." Although not all workers realize it, noise tires men before they've put in a full day's work, makes them slow and inefficient, invites spoilage, accidents, and absenteeism. It handicaps labor and boosts production costs.



Clergyman. He has a strong, carefully trained voice. Yet he finds that he must strain to make himself heard. In spite of his best efforts, parishioners find it difficult to hear every word distinctly. All because sounds reverberate so long that words become "scrambled." And where acoustics are poor, the message may never reach the ears, let alone the minds and hearts of listeners.

Sound conditioning brings amazing relief

CELOTEX sound conditioning has made surprising improvements in human comfort and effectiveness in interiors of all kinds. By eliminating needless noise, it can do the same for you. More sound conditioning has been done with Acousti-Celotex* than with any other material . . . significant evidence of Acousti-Celotex excellence.

Acousti-Celotex is applied by factory-schooled contracting-engineering organizations with broad experience in the scientific solution of sound conditioning problems. To learn more about this new science, write for the booklet "25 Answers to Questions on Sound Conditioning." The Celotex Corporation, Dept. BW-475, Chicago 3, Illinois.

Sound Conditioning with
ACOUSTI-CELOTEX

* Perforated



Fibre Tile SINCE 1923

POWER FOR TRUCKS THAT MUST WORK—



24 hours a day... EVERY DAY!

Illustrated above is a material-handling job for which trucks must be kept on duty 24 hours a day, every working day. It is the kind of job in which battery industrial trucks excel because of their dependability and economy.

With batteries exchanged two or three times a day, the truck is kept continuously supplied with power. While one battery is being charged, another operates the truck.

IDEAL POWER CHARACTERISTICS

The truck starts instantly, accelerates smoothly; operates quietly; gives off no fumes; consumes no power during stops. Thus, it makes efficient use of power, and the current used for charging its batteries is the lowest-cost power available. Its electric-motor drives have a minimum of wearing parts and are inherently simple and trouble-free.

A battery industrial truck is most dependable and most economical when powered by EDISON Nickel-Iron-Alkaline Batteries. With steel cell construction, a solution that is a natural preservative of steel, and a fool-proof principle of operation, they are the most durable, longest lived, and most trouble-free of all types of batteries. *Edison Storage Battery Division of Thomas A. Edison, Incorporated, West Orange, New Jersey. In Canada: International Equipment Company, Montreal and Toronto.*



EDISON NICKEL • IRON • ALKALINE BATTERIES

IN INDUSTRIAL TRUCKS, EDISON NICKEL-
IRON-ALKALINE BATTERIES GIVE YOU THESE
IMPORTANT ADVANTAGES

They are durable mechanically; they can be charged rapidly; they withstand temperature extremes; they are foolproof electrically; they can stand idle indefinitely without injury; they are simple and easy to maintain.

nish capital for the venture (\$6,000, \$11,000, depending on the kind of equipment installed). In addition, Lehman looks especially for men with either administrative, sales, or production ability. If the neophyte has one of these, Lehman finds employment with the other two.

• **Supervision and Sales**—It is the concentrate for Tom Collins, Jr., that Lehman is principally interested in selling to its franchise holders (at \$30 a case—enough to make 160 cases of 30 bottles). But so that they will get up properly and running smoothly, the company oversees most of the steps of establishing a franchise plant. Lehman has carried the details down to an estimated budget.

The flavor-maker will also provide bottling equipment for the plant at cost; it has been accumulating hard-to-get stuff—new and secondhand—for a year. The company also designs the plants and supervises installation of the equipment. An experienced Lehman representative shows the bottler how to run his equipment, and covers his territory with him, demonstrating sales methods.

Lehman officials claim that this method will give a man working knowledge of the production end in a few weeks. How he progresses in the sales and after that depends entirely on his own abilities.

• **Advantages**—By promoting the expansion of the lemon mixer instead of the cola concentrate it makes, Lehman believes it's following the line of least resistance for new bottlers. In the highly competitive cola field, a bottler can establish his beverage only if he is prepared to spend millions of dollars on advertising.

Lehman's president, Philip Steiner, sees specific advantages for Tom Collins, Jr.: (1) popularity of lithium lemon is going up on its own; (2) requires less sugar than most other soft drinks; (3) it's less expensive to make; (4) because it's a mixer as well as a beverage, it has year-round, rather than just seasonal, sales.

In his drive for national distribution Steiner already has more than a dozen franchise holders. Some of them are as far flung as Birmingham, Ala., and Albuquerque, N. M.

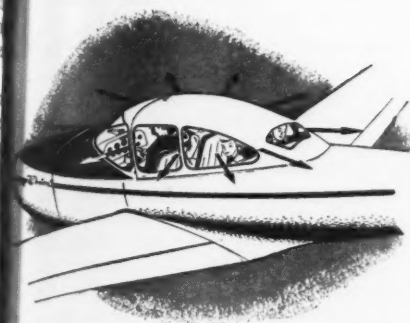
• **Personalities**—Steiner, a 46-year-old contract bridge expert, became head of the company when he and his brother Albert, bought it in 1926. Lehman then was carrying on its business principally through mail orders.

Working closely with Steiner in mapping aids for new franchise holders is Jacques Ullman. He joined Lehman after Navy service in World War I. Before that he had all-round experience in Wall Street, manufacturing, and sales.

Businessmen save money with this...

PRACTICAL 4-PASSENGER PLANE

Businessmen who have submitted their company transportation problems to careful analysis have proved that the *Navion* saves actual transportation dollars as well as weeks of executive time—and many a *Navion* has paid for itself in a matter of weeks as a dramatic sales tool in meeting competition. The *Navion* is extremely easy to fly, cruises economically at 150 MPH and has a range of over 500 miles. Seats four, plus luggage, or carries pilot and 645 lbs. of cargo. CAA Approved Type Certificate No. 782.



THE *NAVION* gives you all-around visibility in the air and on the ground. Other features are the retractable tricycle landing gear with steerable nosewheel, navigation instruments and two-way radio included as standard equipment.

Navion

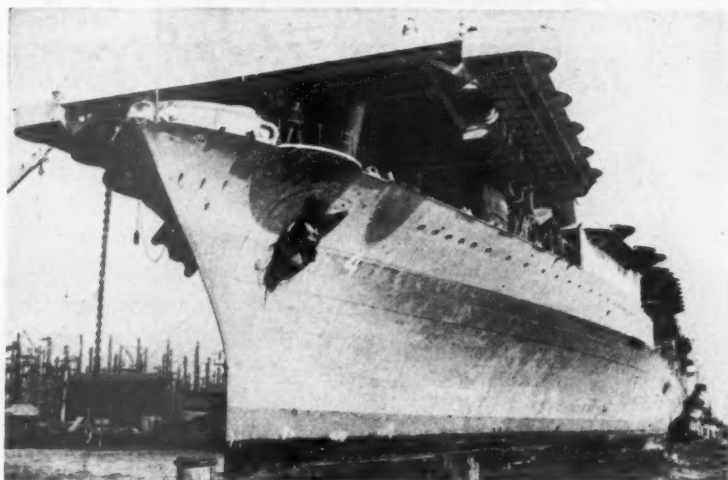
NORTH AMERICAN AVIATION, INC.
MUNICIPAL AIRPORT, LOS ANGELES 45, CALIFORNIA



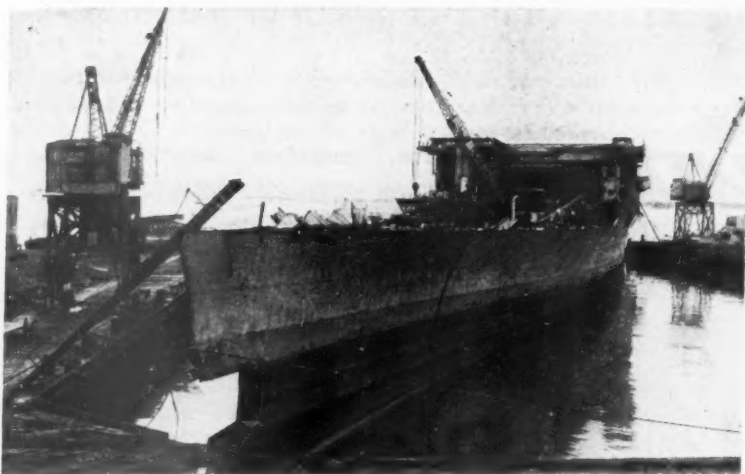
NORTH AMERICAN AVIATION INC.

CREATORS OF P-51 MUSTANG . . . AND ADVANCED ARMY AND NAVY AIRCRAFT

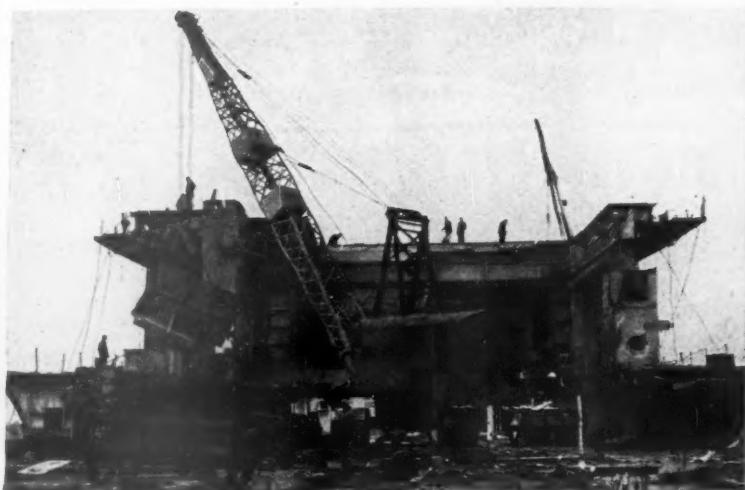
NEW CREDO FOR SHIPYARDS: DEMOLITION PAYS



Its glory written, the carrier Ranger comes to Sun . . .



To provide fodder for scrap-hungry blast furnaces.



To cut time and costs, cranes on deck and on the piers swing the scrap directly into railroad cars.

Having tacked up a fine wartime construction record, the shipbuilding industry has uncovered a profitable sideline—destruction. From the yards are flowing 40,000 tons of scrap a month—the yield from ships sold for destruction.

• **The Price's the Thing**—Not too long ago, the yards, smack in the middle of the biggest shipbuilding program in history, had insatiable appetites for steel. Now, in a slack period, they've turned supplier for scrap-hungry steel mills—and at a price.

Sun Shipbuilding & Drydock Co., Chester, Pa., is a case study in turn-about. Between 1942 and 1945 Sun turned out 256 ships. Now, breaking them up constitutes a nice slice of its business.

• **Easy Pickings**—Aware of rising prices in scrap, Sun set aside its North Yard for salvage purposes early this year. Then it bought the 27-year-old tanker *Baldbutte*, picked its bones in just 40 days.

The second dismantling job—an outmoded training ship—is nearing completion. Six frigates with World War II records await execution. But the company's piece de resistance salvagewise is the famous aircraft carrier *Ranger* (above).

• **Flattop to Flatcar**—Sun's bid of \$250,000 for the \$20-million carrier topped four others, the offer being based on a scrap price of \$24 a ton. The price later went to \$40, is now around \$30.

The craft is warped between two piers, which permits cranes to eat at its 15,700 tons (decommissioning deadweight) from either end.



READERS REPORT:

Not Just Ships

Sirs:
I notice in Business Week of April 12 letter to the editor on the paucity of passenger liners in the American merchant marine. It is true that the merchant fleet is not well balanced in this respect, and the deficiency will be considered by the Advisory Committee on the Merchant Marine appointed by the President, which consists chiefly of able industrialists and naval officers.

Provision of types of ships now lacking is an important problem, but I hope Business Week will not fall into the common error of regarding the merchant marine problem as chiefly one of shipbuilding and ships. The shipping industry like every other in this country is not just a matter of plant and equipment. It is a living, going affair of management, personnel, ships, traffic, finance, and policy, and there are problems affecting each of these elements.

The Merchant Marine Act of 1936 was well designed to develop and safeguard all our interests on the sea. Provided this act is vigorously and consistently administered, the U. S. can avoid reversion to our prewar maritime inadequacy when we had too few ships for either the security of our commerce or for the national defense. But American ships must not be unnecessarily burdened as compared with competitors.

Robert H. Patchin
Vice-Pres., W. R. Grace & Co.,
New York, N. Y.

Smith in Heaven

Sirs:
We note that you listed Lt. Gen. Holland M. Smith as a member of the Board of Directors, Port of San Francisco [BW—Apr. 5 '47, p20]. On Dec. 11, 1946, General Smith was appointed to the Harbor Commission of the Port of San Diego.

I believe that approximately two-thirds of the population of San Diego has called us regarding this error, so I should say, offhand, that you have considerable reader interest in this city. We believe this natural mistake will not be the end of a beautiful friendship between Business Week and the population of San Diego.

J. W. Brennan
Port Director, Harbor Dept.,
San Diego, Calif.

Sirs:
We're rather used to Los Angeles taking credit for San Diego activities and accomplishments, but here you're

crediting San Francisco when this credit should go to San Diego.

Nevertheless, we are enrolling your editor, Ralph Smith, as an honorary life member of the San Diego Heaven on Earth Club.

Joseph E. Dryer
Pres., San Diego
Heaven on Earth Club

When Business Week makes such an error, the "Hell on Earth Club" reaches for the editor, so he happily accepts the alternative.

Incentive Tax

Sirs:

I have read with interest Business Week's Report to Executives entitled, "Our Tax Structure" [BW—Feb. 1 '47, p39].

In April, 1945, my partners and I submitted to Congress the "Federal Incentive Income Tax Plan," based on an entirely new concept of taxation—namely the taxation of "income" rather than of "individuals" and "corporations."

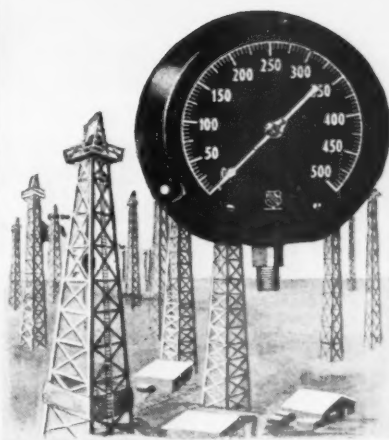
This plan was based upon an assumed national income in the postwar period of \$160 billion. For this high estimate we were severely criticized.

In your article you state, "Almost all the postwar tax plans drawn up during the war—the Ruml-Sonne, Twin Cities, and C.E.D. plans, for instance—laid down a revenue goal of around \$18 billion . . ." Our plan—in April, 1945—was based on a postwar national budget of \$25½ billion. For this estimate we were likewise criticized.

In order to have a sound postwar national income, we said, it was necessary that there be more spending money in the hands of all income-earners and, for this reason, we recommended substantial increases in the exemptions. We also stated that, to have such a national income, it would be necessary to have incentive and encouragement to invest, not only in old and established businesses, but in new and risk-taking ones. For this reason we placed a ceiling of 50% on the taxation of any income and freed dividends from taxation in the hands of the recipients.

Our plan, as stated, was based upon the concept that "income" should be taxed, and not "corporations" and "individuals." This was, however, only half of the plan. The other half was that, in order to have a sound national income, we must have more spending money in the hands of all income-earners and an incentive and encouragement to invest.

The Federal Incentive Income Tax



The miracle of oil

WHAT marvelous achievements have been accomplished with oil as the basic raw material!

In many of the processes for transforming oil into products far remote from fuel and lubrication, pressures are necessary. For indicating pressures of oil, water, air, steam or gases, Ashcroft Gauges have served for almost a hundred years.

Enduring accuracy was their birthright. Modern design, new materials and science have only added to the fine qualities of Ashcroft Gauges. So that today, you may install them with full confidence.

If you are planning any kind of manufacturing where some of the processes demand pressure, give us the information and we will recommend the Ashcroft Gauges best suited to your purposes.

Stocked and sold by leading Distributors everywhere . . . When you order gauges, insist on ASHCROFT . . . Write for booklet.



ASHCROFT
Gauges

A Product of
MANNING, MAXWELL & MOORE, INC.
BRIDGEPORT 2, CONNECTICUT

Makers of Ashcroft Gauges, Hancock Valves, Consolidated Safety and Relief Valves and "American" Industrial Instruments. Builders of "Shaw-Box" Cranes, "Budgit" and "Load Lifter" Hoists, and other lifting specialties.

Saves 750 lbs. dunnage per car

Water heater company cuts freight costs, reduces damage claims, saves time and labor with Acme Steelstrap



Acme Unit-Load Band practically eliminated freight damage claims, reduced labor costs and saved 750 lbs. of lumber dunnage per carload.



A shipping room production line is building more efficient packages with Acme Steelstrap. This saves 25% on each water heater package.

The extra expense of material and labor for bracing a car with heavy, costly lumber is a cost of distribution which can be reduced. Also that hidden cost, "claims for damages," can be eliminated.

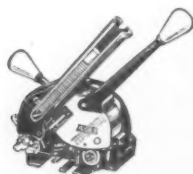
This manufacturer of Portland, Oregon, asked Acme shipping specialists if Acme Unit-Load Band might be an answer to their water heater shipping problems. It was. This method saves 750 lbs. of lumber

dunnage per carload and has proved to be a safer method of bracing cars.

While there the Acme experts also suggested an improved design for individual heater packages. This resulted in another 25% savings.

You are welcome to call in an Acme shipping specialist to consult with your organization on any shipping problem without obligation.

Write or send for booklet containing actual case histories of substantial savings made by Acme shipping specialists.



More savings ahead for Acme Steelstrap users—No. 3 Steelstrapper, the lightest tool made, is now available. Magazine holds 100 seals. Tensions, seals, and cuts the strap in one operation. Small base requires only 5-inch strapping surface. Two levers working in opposite directions make for better balance and easier handling.



Acme Steel Company, Dept. BW-57
2838 Archer Avenue, Chicago 8, Illinois
Gentlemen: Please send me a copy of your case history booklet, "SAVINGS IN SHIPPING."

Name.....
Company.....
Address.....
City..... State.....

ACME STEEL COMPANY

**ACME STEEL CO.
CHICAGO**

NEW YORK 7

ATLANTA

CHICAGO 8

LOS ANGELES 11

Plan was the only tax plan which was introduced in Congress in the form of a bill. While this bill died with the 79th Congress, we are anticipating that it will be introduced in the 80th Congress.

We have been devoting a great deal of time to the revision of our proposal so that the revenue therefrom, together with the other levies and taxes, will amount to not less than \$30 billion to \$33 billion.

Frank Wilbur Mason

Main & Co.,
Pittsburgh, Pa.

As our report states, we are in substantial agreement with the objectives of your plan. The tax system needs revision to stimulate risktaking, ease the burden on consumption, eliminate double taxation of corporate dividends and simplify tax reporting and administration.

Our only question concerns the level of exemptions. Under your plan, which we have examined, exemptions for single persons and for dependents would be higher than they were in 1939. As our report points out, this would cut the tax base in half.

We would prefer to see somewhat lower exemptions. This would make it possible to raise the same amount of revenue with lower rates. One of the things economists know far too little about is how changes in tax rates will affect incentives. But we are convinced that the economy will gain more from a reduction in surtax rates than from an increase in exemptions. What is more, we think there are important social and political advantages in keeping a broad income tax base, even though many taxpayers pay only a small tax.

Solution Offered

Sirs:

In "Salesmen Hit the Road Again" [BW—Apr. 19'47, p. 15], Business Week lists major problems that sales managers are coming up against. However, in the solutions now sought by sales managers, it omits one of the most important factors, available to all sales managers in the food and grocery industry.

Food brokers offer the sales manager skilled, experienced salesmen who can do the selling job at a lower cost than can the manufacturer's own sales staff.

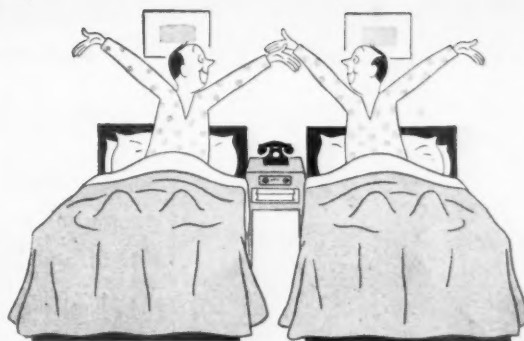
Because he works for a commission only, based on sales actually made, the food broker offers an economy unmatched by any other means of selling, and because he is in his local market all the time, he knows its buyers more intimately than does a manufacturer's own salesmen.

Watson Rogers

Pres., Natl. Food Brokers Assn.,
Washington, D. C.



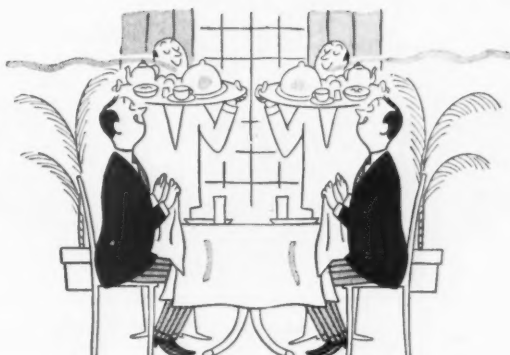
1. Could be you'll wish you were twins when you visit the William Penn, the Statler Hotel in Pittsburgh. It's one place where you really *are* a guest, and you would enjoy the superb service and friendly hospitality just *twice as much* if there were two of you!



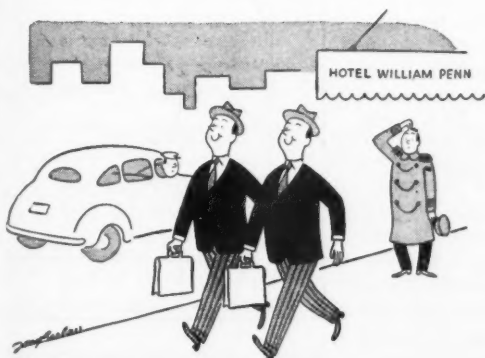
2. You'll find *double pleasure* in your spacious Statler bedroom. *Awake*, you'll rejoice in the comfortable chairs and the convenient radio. *Asleep*, you'll glory in a grand night's rest, thanks to Statler's super-comfortable, 837-coil spring mattresses.



3. If you sing in your bath, you'll sing duets in praise of the William Penn bathroom. There's always plenty of steaming hot water, a double supply of snowy-white towels, and cakes and cakes of lathery soap.



4. When you sit down to a delectable Statler meal, you'll probably eat enough for two. All of your favorite dishes are on the Statler menu, and there are lots of special delicacies, all prepared by expert chefs, and served in the deft, courteous Statler manner.



5. If you *were* twins, both of you would find the William Penn's location mighty convenient . . . close to business, theater, and shopping districts. (Remember, if you *aren't* twins, you can always make two trips to a Statler, and double your enjoyment that way.)



HOTELS STATLER IN BOSTON • BUFFALO • CLEVELAND
DETROIT • ST. LOUIS • WASHINGTON
STATLER-OPERATED HOTEL PENNSYLVANIA HOTEL WILLIAM PENN
NEW YORK PITTSBURGH

P. 5. Here's a tip for your trip! Try to plan your visit to a Statler for Friday, Saturday, or Sunday—that's when you'll have the best chance of getting the kind of accommodations you want!

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sets the pace with

Rocket Freight



**FAST
SERVICE!**

EFFICIENT HANDLING!

272 Rock Island Freight experts are stationed throughout North America to assist shippers in handling rates, routes, packaging, stowing and marking. For full information, see your nearest Rock Island Traffic Representative



ROCK ISLAND LINES

Route of the Rocket Freights

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- 1 Earmark a certain proportion of your current production for export
- 2 Employ an organization with selected Representatives in every major trade center abroad.

By appointing PANAMCO LTD. as your foreign representative you will have access to international trade on your regular domestic terms plus these advantages:

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Panamco Products

Fire Underwriters' Dilemma

Record losses are forcing an increase in rates. But bigger premiums and more business mean larger reserves are required. Result: financial problems. Solution: more selectivity on risks.

In New York State this week, fire insurance rates were increased an average of 8.7%.

In Washington, President Truman's Conference on Fire Prevention brought 2,000 delegates together to consider methods of combating fire waste.

• **Losses Rising**—Fire losses are an acute problem. Last year's total was a near-record \$561,487,000. Only 1926, with \$561,890,751, was worse. And the first three months of 1947 showed losses far exceeding those of a year ago (chart). The April figure, which will include the Texas City disaster (BW—Apr. 26'47, p22), is sure to be astronomical.

In view of this record, other states probably will follow New York's lead. Fire prevention and safety education work will be redoubled along lines suggested at the President's conference.

But higher rates and safety campaigns aren't going to solve some of the immediate difficulties facing fire insurance companies. Increased premiums, in fact, may heighten certain problems.

• **To Reserves**—When an insurance company writes a policy, the greater part of the premium it receives must be placed in an unearned-premium reserve. The money can be transferred to earnings only as it is earned. (On a three-year policy, for example, one-third of the premium would be earned by the end of the first year.)

Fire insurance firms have found that approximately 90% of their expenses originate with the cost of writing new or renewal policies. Their agents must receive commissions; various taxes and fees must be provided for. As a result, their immediate out-of-pocket costs exceed their immediate income from a policy when it is written.

Higher property values, higher inventory values have increased this difficulty. When prices rose during and after World War II, fire insurance companies and agents set out to warn clients they must increase their coverage to insure proper protection. How well the campaign succeeded is shown by the fact that fire insurance premiums increased by \$200 million in 1946—from \$671-million in 1945 to \$876 million.

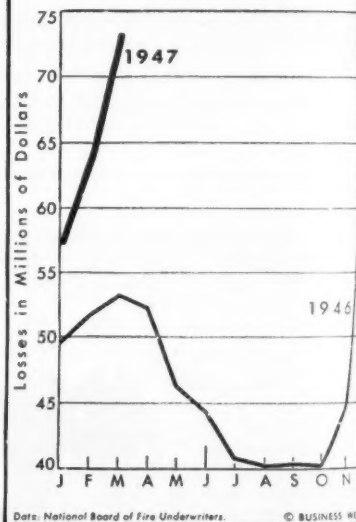
But more and larger policies mean more immediate expenses with no allowable immediate earnings.

This increase in premium income is so great that it is actually straining companies to absorb it. Couple this with rising fire loss ratio, and the problem of the risk firms is apparent.

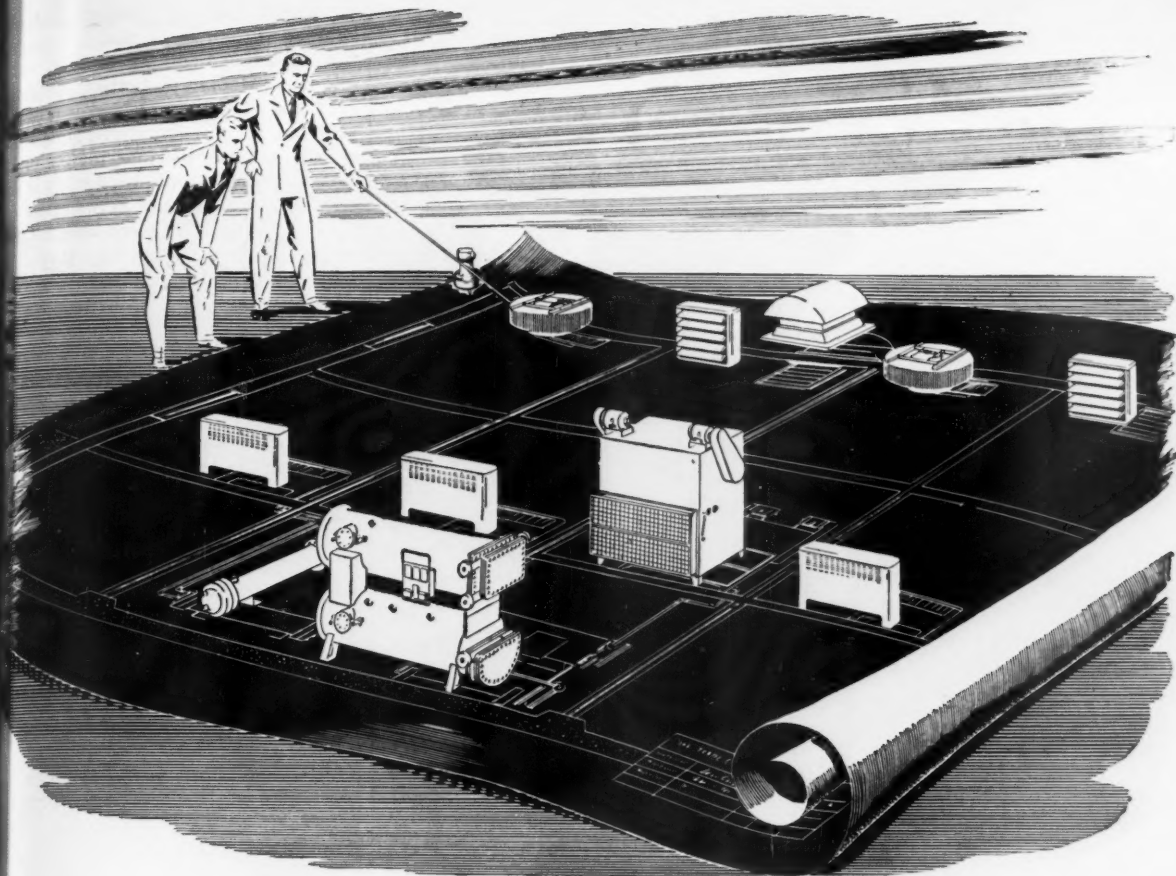
• **Choosy**—Insurance companies are taking the one course open to them: They are becoming more selective in the risks they underwrite. They are declining a lot of reinsurance business they normally would be glad to get. And they are turning down applications for new, bigger policies on poor risks—firms in industries where the fire hazard is high where protection is weak, and especially where these conditions prevail with tremendous values concentrated under single roof.

As a result, some business firms are finding it tough to get the fire insurance protection they want. Among the hardest hit are some distilleries, with large concentration of high-priced assets.

FIRE LOSSES SOAR



Barring an unexpected reversal in the trend, 1947 probably will be the nation's worst fire loss year. First-quarter losses were 25% greater than a year ago. And 1946 was the second highest year on record. The Texas City disaster will give April a terrific total.



THE DESIGN OF AIR CONDITIONING SYSTEMS

IS MADE EASIER BY ENGINEERED AIR CONDITIONING

The designing of a true air conditioning system is a complicated problem, since many elements are involved. If the architect or engineer who plans the system can draw on one source instead of many for most of the products he needs—and if these products are engineered to work together—his job is made easier, and the resulting system is appreciably better.

Thus it is that the architect, engineer, and contractor look to Trane Engineered Air Conditioning. Here, at *one source*, they find the most complete line of products in the industry. More than that, they find products that are designed and built together to *work together*—for systems that unerringly perform to engineering stand-

ards in creating heating, cooling, humidification, dehumidification, air cleansing and ventilation singly or in any combination.

Trane Heating Systems and Air Conditioning Systems—backed by the *undivided responsibility* of one manufacturer—are designed for each application by the architect, engineer, or contractor. Co-operating with them are 85 Trane Field Offices in all parts of the country.

* * *

The Convector-radiator—modern successor to the old-fashioned cast iron radiator—has been engineered by Trane for universal application to steam and hot water heating systems, and is being produced in quantity so you can soon secure it from local distributors' stocks.

TRANE

Manufacturing Engineers of Equipment for
HEATING AND AIR CONDITIONING

THE TRANE COMPANY, LA CROSSE, WISCONSIN • Also TRANE COMPANY OF CANADA, LTD., TORONTO, ONTARIO





Asbestos in Action

The paper fence that corrals a hundred "horses"

THE TOUCH OF A FOOT means an instant "Giddyap" to the 100 horsepower built into many a modern automobile. And a K&M Asbestos Paper core in the cylinder-head gasket is, in effect, a heat-resistant "fence" that keep those hundred "horses" where they belong.

BUT THAT'S ONLY ONE of many uses for K&M Asbestos Paper and Millboard. Commercial grade Asbestos Paper, for instance, is widely used as insulation between walls, floors, and ceilings and for wrapping furnace and heater pipes. Other grades are designed for electrical insulation purposes.

K&M ASBESTOS MILLBOARD, an allied product, is an ideal fire-proof lining for walls, partitions, ceilings, elevator shafts, fire barriers; also is an excellent insulation for gas ovens and warm air ducts. It also has a host of specialized industrial applications, such as electrical fixtures and linings for switch boxes.

WRITE TODAY for full details on these and other K&M asbestos products, which include: "Century" APAC sheathing . . . K&M Ebonized Asbestos electrical insulating material . . . "Featherweight" 85% Magnesia insulation.

NATURE-MADE ASBESTOS . . . Keasbey & Mattison has been making it serve mankind since 1873.



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COMPANY • AMBLER • PENNSYLVANIA**

IN CANADA—ATLAS ASBESTOS CO., LTD. • MONTREAL, TORONTO, WINNIPEG and VANCOUVER

whiskies in their warehouses. Grain elevators and flour mills that lack modern fire-protection equipment are other sufferers. (Modern properties, adequately built and properly protected against possible fire, are still considered good risks.)

• **Seller's Market**—More than ever before, insurance agents are finding it necessary to shop around before they can obtain coverage for some clients. And despite all their shopping, they hear with monotonous regularity, the same story from company underwriters: "I'm sorry, but . . ."

NEW INSURANCE HEAD

Edmund Fitzgerald, for 14 years vice president of Northwestern Mutual Life Insurance Co., was elected president recently. He succeeds the late M. J. Cleary.

The son of William E. Fitzgerald, president of the Milwaukee Dry Dock Co., Fitzgerald interrupted his early business career to serve overseas during World War I. Upon his return to Mil-



Edmund Fitzgerald

waukee, he became secretary of Northwestern Malleable Iron Co. In 1929 he switched to banking, rising rapidly to vice-president of First Wisconsin National Bank of Milwaukee in 1932.

For the first quarter of 1947, 89-year-old Northwestern reported an all-time high of \$5,188,378,813 of insurance in force on 1,273,353 policies. Total assets reached a peak of \$2,052,432,583.

HIGH COST OF BUILDING

Residential building costs in 26 major cities have increased an average of 80% since 1940. So says a study made



Don't let cost-heavy systems pinch-off YOUR profits

The squeeze is on! With prices high and profits thin, you've got to reduce *controllable costs* to protect your profit margin. One way is to *simplify* systems throughout your business.

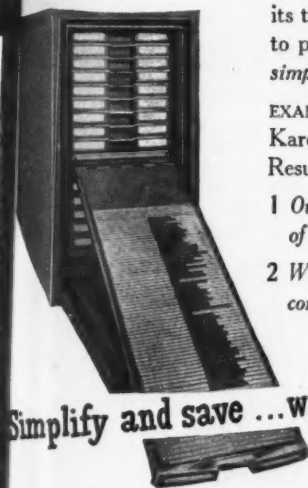
EXAMPLE: An economy-minded firm adopted a Kardex-simplified production control system. Results:

- 1 *Output increased, and still increasing, because of more effective machine-load scheduling.*
- 2 *Work stoppage due to material shortages almost completely eliminated through use of a unique*

raw material requirements system that exactly predicts fluctuations in future raw-material needs!

- 3 *Reduction of raw material and work-in-process inventories, with resultant release of working capital for new-product tooling.*

Whether your costs are high in production . . . stock . . . sales . . . or ledger . . . Remington Rand simplified systems can pay you extra savings by reducing *controllable costs*. For our free 96-page systems analysis, *Graph-A-Matic Management Control*, write Systems Division, 315 Fourth Ave., NY 10.



Simplify and save ... with KARDEX

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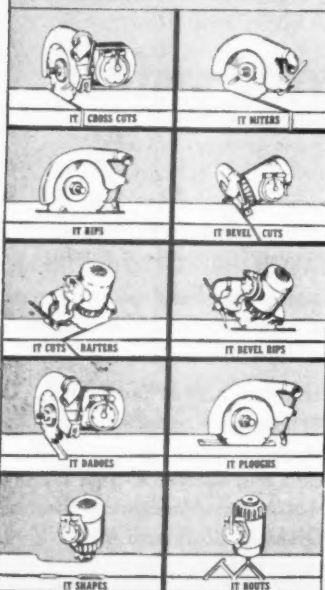
Remington Rand

THE FIRST NAME IN BUSINESS SYSTEMS

Presenting America's most popular, all-purpose woodworking machine!



DE WALT
is a complete
shop in itself



...and with proper
tools makes any
cut possible!

You, as an executive, are vitally interested in the new era that lies ahead.

That's the reason we're telling you about DeWalt in this publication, instead of trying to reach you in a trade publication.

The new era in woodworking—in all types of industries—will demand a machine like DeWalt.

This versatile, all-purpose power saw is the machine you should consider first. It is ideal for general carpenter maintenance in or outside the plant, for crating and boxing, for intricate pattern work, or for general woodworking.

DeWalt is the machine that will bring new standards of efficiency and production to your cutting jobs no matter how—where—or when you cut wood.

Write for a copy of the DeWalt catalog, and discuss this machine with your technical men. DeWalt Products Corporation, BW-355 Fountain Ave., Lancaster, Pa.

DE WALT

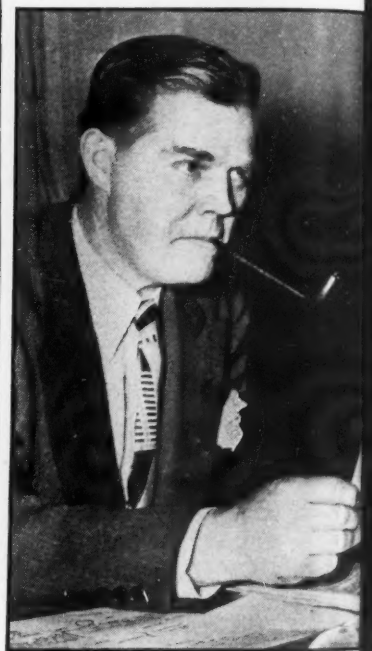
by Northwestern National Life Insurance Co., Minneapolis. At the time of a similar study a year ago, costs were 44%.

Building material costs show an average rise of 76%. Hourly wage rates in the construction industry are up 32% for skilled labor, 62% for unskilled. On-site wage costs, however, are rising as much as 80% to 100% above the 1940 level.

NEW CHIEF FOR OMD

At the same desk where Donald M. Nelson first took over war control civilian production sits Horace B. McCoy, director of the new Office of Materials Distribution. He is charged with the job of scrapping whatever still left of the wartime controls on industry.

McCoy is on leave from his regular position as director of the Office of Domestic Commerce of the Dept. of Commerce. He will carry on as director of OMD until its remaining functions are either liquidated or transferred to permanent organizations. He directed



Horace B. McCoy: Era's end.

four divisions which are engaged in carrying on the administration of the controls in rubber, chemicals, metals and cordage.

Former occupants of McCoy's present desk besides Nelson include Julius Krug, another War Production Board chief who is now Secretary of the Interior, John D. Small, who headed the Civilian Production Administration; and Maj. Gen. Philip B. Fleming, who directed the short-lived Office of Temporary Controls.

Policies Canceled

Auto-insurance companies are dropping off business as the boosts fail to keep pace with the big increases in losses.

Casualty insurance companies have been taking a beating on their automobile business ever since the end of rationing. Although the underwriters have pushed rates up as fast as they could (BW-Mar.29'47,p44), they have not been able to keep pace with the rising volume of losses. As a result, many of them have been running in the red—close to it—on property damage and personal injury coverage.

Now, some of the big companies have begun taking drastic steps to get the loss figures back in line. In any territory where the experience has been particularly bad, they are holding down new business or even canceling policies.

More Cars—More Accidents—One of the first areas to feel the full weight of this new policy was Detroit, capital of the automobile world. A local insurance man estimates that at least one out of five automobile policies in that city have been canceled recently or are in the process now.

For a city of its size, Detroit still is a fairly low premium area. Since the end of gas rationing, its loss experience has been out of line with the prewar record. As the insurance companies see the prospects of an early change are not good. The city has a higher-than-average proportion of automobile ownership. Its citizens drive an over-average number of miles to get to work. This means that statistically they are exposed to a greater chance of accident.

Cutting Volume—The crackdown on Detroit has taken a variety of forms.

One of the largest underwriters is asking its agents to cut business to 60% of 1946 volume.

Others are hanging on to old customers but have stopped writing new business entirely.

Some have begun canceling agencies, which means canceling all the outstanding business that the agents have written. (Under the ground rules of the insurance industry, the customers belong to the agent. When an agent breaks off relations with an underwriter, he takes the policyholders with him, gets refunds for them, and places their business elsewhere.)

Marginal Agents Out—The agents who are getting the axe just now are the ones the insurance companies consider marginal producers. Some have not met minimum volume requirements in the past. (The underwriters, looking to the future, still want top-notch sales-

One Operation or Three?
Let H-P-M
give you the answer



This 1500-ton H-P-M Press deep draws 117 steel grave vault bottoms per hour at The Champion Company, Springfield, Ohio



Are you producing metal parts by forming small sections and then fabricating them into a single unit? If so, an H-P-M Fastraverse Press can save you money. Look at the grave vault bottom being produced here in a single press operation.

H-P-M Fastraverse Presses make deep, intricate draws in all kinds of sheet metal. Normally, your part can be drawn in an H-P-M Press in a single operation. This saves you real money... less capital investment in presses and dies, lower labor costs. Call an H-P-M engineer and challenge him to prove how he can save you money with an H-P-M Press.



Write for your free copy of Bulletin 4206. It describes H-P-M Fastraverse Metal Working Presses.

THE HYDRAULIC PRESS MANUFACTURING COMPANY
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All-Hydraulic **Fastraverse Presses**

REVOLUTIONIZING PRODUCTION WITH HYDRAULICS SINCE 1877

Just a few minutes a day...



AT *Daisy* MANUFACTURING COMPANY ROSS LIFT TRUCK DOES DOUBLE DUTY

Here's a job that's typical of the many ways ROSS adaptability pays off for owners.

Daisy Mfg. Co., makers of the world's most famous air-rifle, use a standard ROSS Lift Truck equipped with 2 cu. yd. ROSS scoop to feed coal from stockpiles to boiler room bunkers. This machine enables one man to handle as much coal in a few minutes as two or more men and an ordinary truck formerly did in several hours. The lift truck carries approximately 3600 pounds of coal per trip — and makes a 200 yard round trip in five minutes or less.

And when this job is done, the operator makes a quick switch to standard forks. Then this same lift truck goes back to its regular work — handling the sheet steel, bar stock and other items that go into the manufacture of air rifles.

You too will find that ROSS Pneumatic Tired LIFT TRUCKS (sure-footed on rough ground, snow or mud) quickly pay for themselves on an endless variety of work. Get all the facts about these versatile machines — capacities, 6,000 to 18,000 pounds.



THE ROSS CARRIER CO.

300 MILLER STREET, BENTON HARBOR, MICHIGAN, U.S.A.
Direct Factory Branches and Distributors Throughout the World

men even though they don't want business at the moment.)

Other agents have been placing proportionate amount of automobile insurance with their companies in relation to other lines—personal liability, men's compensation, and the like. Others have a history of writing many policies that result in losses, indicating poor selection of risks.

• **Switching Companies**—Underwriters generally allow a canceled agent 60 days to get his customers' business onto the books of another company. So far there has been enough slack in the situation to take care of these. But with more and more companies tightening up, the job of transferring policies has been getting bigger and tougher all the time.

The work of shifting business to another company is not the only thing that makes the life of a canceled agent miserable. When customers get the funds, they sometimes find that they have been charged short-term premiums (proportionately higher than the rates) for the period they were covered by the original company. In other words, the refund isn't large enough to give them coverage for the rest of the

A NEW SALES TACK

Why is MARRIAGE like a CANOE?

Because to manage either takes proper balance and teamwork.

By Dr. Paul Popenoe, Director, American Institute of Family Relations.



Dr. Paul Popenoe, Director of the American Institute of Family Relations, has written a new book, "Why is Marriage Like a Canoe?" which is a practical guide to the art of marriage. The book is available in paperback for 50¢ and in hardcover for \$1.00. It is a must-read for all married couples.

Life Insurance Companies in America. The American Institute of Family Relations is a national organization dedicated to the study and improvement of family life. It is a non-profit organization and its activities are supported by the contributions of its members and the general public.

Insurance companies, which have to worry about almost everything in the cradle-to-grave cycle, have taken on new responsibilities. They have become financial advisers to the love-worn. Conventional advertising is giving way to items with a social slant from experts, like Dr. Paul Popenoe, Director of the American Institute of Family Relations.

Sponsored by the Institute of Life Insurance, the "family messages" lay stress on "planning"—which sooner or later leads to budgeting, banking—and, the institute hopes, insurance policies

without an additional payment. Sometimes the amounts involved are big enough to set off a lusty complaint.

Diversified vs. Specialized—Casualty companies that specialize in automobile coverage have been taking the toughest hit. Companies with a more diversified underwriting business have been less worried. At present, they provide about the only available place to which an agent can shift business that has been canceled by another company.

Detroit is not by any means the only territory that has been having trouble. Nationwide figures on the ratio of losses to premiums show that the underwriters have been squeezed all over the country. Ordinarily, an insurance company cannot make money on its automobile business if the ratio of direct losses to premium income runs over 55%. Overhead, commissions, and similar expenses eat up the rest. In 1946, the average loss ratio on automobile business for all stock companies was 50%. Many individual companies were up to 75%. And some of the largest ran 105% to 125%. Part of this bad showing on the ratio, however, was caused by the drop in premium income that went along with the curtailment of new business.

On Guard—The underwriters are not planning any countrywide cancellation program. But when an area, such as Detroit, gets sharply out of line they will start lopping off business there. Over the next year or so, a number of territories in various parts of the country may feel the squeeze.

REAL ESTATE SALES

The extent to which insurance companies have profited from the real estate boom of the past few years was strongly underlined last week. The Institute of Life Insurance, covering 1946 operations, reported:

- Property holdings scheduled for disposal were cut to \$125 million; as a result of the depression foreclosure wave, the total at one time exceeded \$3 billion.
- City real estate sales in 1946 came to \$136 million.
- Farming property sales came to \$65 million.
- Signed contracts at the year's end covered the sale of an additional \$139 million in properties.

From these figures, the institute calculated that total "unsold" real estate holdings of insurance companies totaled \$600 million by the end of 1946. But of these:

- \$260 million represented office properties.
- \$135 million consisted of rental housing projects.
- \$75 million were in nonfarm real estate developments.

first to develop a corrugated OCTAGON box for bulk glassware



The OCTAGON Box, an advancement in packaging bulk glassware, was introduced by Hinde & Dauch. About half the size of the conventional unit, the H & D OCTAGON is easier to pack and unpack, easier to handle, saves space and weight, reduces shipping costs. In addition to these important features, this attractive package also carries an effective advertising message and trade name design. Most of these advantages have been available to manufacturers in other lines since the advent of PREPAK*, DUPLEX, SELMOR* and many other H & D corrugated packaging "firsts" . . . advancements that have saved thousands of dollars through lower packaging and shipping costs, less damage in transit, and decreased distribution and sales costs. The Hinde & Dauch Paper Company, 4705 Decatur Street, Sandusky, Ohio.

*TRADE MARKS REG. U. S. PAT. OFF.

LOOK TO

REG. U. S. PAT. OFF.



FOR PACKAGING

"firsts"

HINDE & DAUCH

Authority on Packaging

FACTORIES IN: Baltimore 13, Maryland • Buffalo 6, N. Y. • Chicago 32, Illinois • Cleveland 2, Ohio • Detroit 27, Michigan • Gloucester, N. J. • Hoboken, N. J. • Kansas City 19, Kansas • Lenoir, N. C. • Montreal, Quebec • Richmond 12, Virginia • St. Louis 15, Missouri • Sandusky, Ohio • Toronto, Ontario • Boston, Mass.

they reached requires some knowledge of the way facsimile operates. At the sending end, "copy" to be broadcast is scanned by an electric eye. This generates electrical impulses proportionate to the light and dark areas of the copy. The impulses travel to the receiver by radio wave.

The receiver has a revolving drum synchronized to the speed of the transmitter's scanner. A wire is wound around this drum like the thread on a screw; hung above the drum is a fixed metal printer blade. Recording paper, which turns black wherever an electrical impulse passes through it, is fed between the drum and the blade. The radio signals from the transmitter control the intensity of these electrical impulses. The result is an image on the recording paper which resembles a photo-offset of the original.

• **Area of Agreement**—Here, then, are the basic standards upon which the two groups have agreed:

(1) All scanners will operate straight across the page from left to right, moving down one scanning line at a time to repeat the process.

(2) Standard page size will be 8x11 in. Almost all transmitters will be built to these dimensions. If smaller or larger receivers (or transmitters) are desired, width and height of their pages will be in the proportion of 8 to 11. (Thus, a receiver built to handle paper with a 6-in.-wide recording surface would turn out pages 8½ in. high.)

(3) There will be 1,155 scanning lines to each page of copy. On the standard 8x11 page, this comes to 105 lines to the inch. On the 6x8½-in. receiver cited above there would be 140 lines to the inch. Thus any receiver can work with any transmitter.

(4) Scanning will be done at the rate of 360 lines a minute (about four pages in 15 minutes). And all of the receivers will be built so as to operate at this same speed.

(5) To operate properly, receivers and transmitters have to be synchronized. When both operate from the same central power source, synchronization is automatic. In other cases it is accomplished by a radio pulse from the transmitter. A standard pulse will be used so that any receiver can be synchronized with any transmitter to which it happens to be tuned.

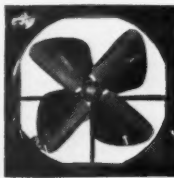
(6) A series of highly technical proposals also was approved which makes it possible for facsimile to fit right into the frequency modulation broadcast system.

• **On the FM Band**—As now planned, facsimile will be broadcast on the 88-108 megacycle waveband set aside by FCC for FM stations. This will enable any FM station to broadcast facsimile, if it has the necessary equipment—and FCC permission. It is expected that



...keeps MEN in action!

If let-down fatigue hits your office or factory, ahead of quitting time, you should do something to stir things up! Start with the stagnant, muggy air that engulfs your workers like a heavy blanket. Keep air in motion—to keep people in action—with Emerson-Electric Fans and Air Circulators. In many an office and factory these sturdy fans actually pay for themselves in increased efficiency and improved employee-relations. Ask your Emerson-Electric Dealer to suggest the most efficient and economical equipment for your particular air-moving problem.



An EMERSON-ELECTRIC FAN for Every Air Moving Job

If yours is a business where greater comfort for customers, visitors or workers will help business, there's an Emerson-Electric Fan to do the job—direct-drive exhaust fans in five sizes from 12" to 30"—heavy-duty belt-drive exhaust fans in 48", 42", 36" and 24" sizes—dependable desk fans with 10", 12", 16" blades—air circulators (large illustration) 24" and 30" sizes with 4 styles of mountings. Write for Folder No. 458.

THE EMERSON ELECTRIC MANUFACTURING CO.

St. Louis 21, Mo.

EMERSON ELECTRIC
MOTORS · FANS · APPLIANCES

In the LEBANON Valley



From the Book
"Lebanon County
Through The
Centuries"

Two centuries ago, Caspar Wistar, the "Button Maker of Germantown," rented land to Trinity Church of Tulpehocken in the Lebanon Valley on unusual terms. One red rose was to be paid annually to Wistar and his heirs, forever. Each June a Wistar descendant receives the floral payment in Trinity Church, carrying on a fine tradition.

A tradition, too, in the Lebanon Valley is excellence of metal workmanship. Lebanon foundry men uphold these standards... produce trustworthy alloy and steel castings in a modern foundry employing modern techniques. Discuss your casting needs with a Lebanon engineer.

*Write for a free copy of this illustrated book.

Lebanon Steel Foundry • Lebanon, Pa.

LEBANON ALLOY STEEL CASTINGS



This Little "Pigtail" Went to Market...

... and is saving money for manufacturers of mass-produced electrical appliances because it's a connector that makes a completely insulated "pigtail" splice in less than a second—every one perfect and identical. Remarkable savings and improved performance are made possible because the connector is already insulated... no wire twisting, no soldering, no taping... and the finished splice is scarcely larger than the wire itself.

AMP engineers have developed an equally ingenious Pneumatic Hand Tool which installs these Closed-End Connectors as fast as an operator can pull the trigger.

This is another example of AMP specialization in low-cost wire termination.

Samples of the AMP Closed-End Connector will be sent on request. If you have other wire termination problems, do not hesitate to call upon AMP.



AIRCRAFT-MARINE PRODUCTS INC.

1302 N. 4th Street, Harrisburg, Pa. Telephone: 4-0101

Sole Canadian Representative:
F. Manley & Sons, Ltd., 82 Adelaide Street, E.,
Toronto, Ont., Canada

"PRECISION ENGINEERING" **AMP** "APPLIED TO THE END OF A WIRE"

most of FM stations will set aside certain periods each day for facsimile broadcasts.

Once FCC has adopted the standards (the industry hopes that will be done this year) sale of transmitters and receivers can begin in earnest. Several manufacturers expect to make deliveries on transmitters by late this summer or early in the fall. But mass production of receivers is not expected until 1948.

FLYING RADAR FOR AIRLINES

The cost of radar equipment, its heavy weight, and its complexity have retarded its commercial adaptation in aircraft. But the airlines have been studying its use to increase safety (BW—Jan. 4 '47, p38).

Now comes Howard Hughes with a radar device that seems to answer most of the commercial plane operators' objections. It costs only \$130, weighs only 17 lb., operates simply. The equipment at present is regulated to warn the pilot (by bell-ring and light-glow) when objects are within 2,000 ft. (for flying) and 500 ft. (for landing).

A combination transmitter-receiver is mounted on the underside of the plane. It sends and receives pulses at the rate of 40 per sec. through small antennas on the port and starboard sides. (The pulses travel 500 ft. in one-millionth of a second.) They spread out in all directions except backward, bounce back from any

object they strike (a mountain, or other plane, for instance), sounding bell and actuating a warning light in the cockpit.

When the pilot hears the bell and sees the light, he pulls up and turns 180 deg. (Since the plane has just flown over the rearward course, it must be clear.)

The device is made by Hughes Aircraft Co. Within four or five weeks according to Hughes, it will be installed on all planes of Trans-World Airlines of which Hughes is, indirectly, the largest stockholder. Plans are currently under way to make the new radar device available for installation on their planes by all other airlines, so that it will be of assistance in reducing accidents of the kind that recently received so much publicity.

Hughes doesn't go overboard on the device, although he believes it to be "foolproof." Development work will continue.

VINYL GLASS MATERIALS

Vinyl resins are being used for impregnating fibrous glass mats to produce low-pressure laminates (BW—Mar. 2 '47, p46). Polyplastex-United, Inc., Elmhurst, N. Y., is using this technique to make products ranging from lamp shades and acoustical panels to industrial gaskets.

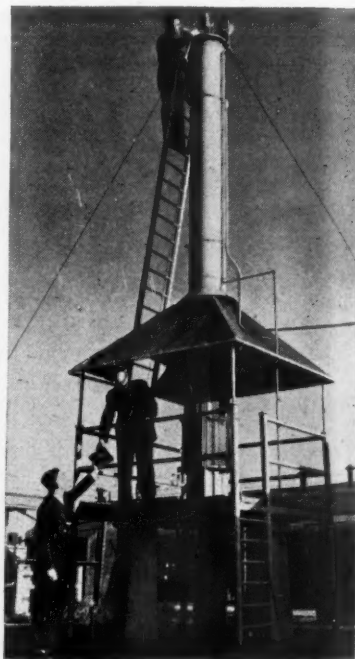
Even though the vinyl resins are thermoplastic (heat-softening), a high de-

Shooting for New Design Tests

To test new equipment designs under conditions of severe acceleration, Boeing Aircraft engineers are putting the toy popgun principle to work. Using an "airgun" (left) loaded by compressed air, they apply sudden accelerations—as high as 100 "G's"—to electronic and mechanical equipment (100 G's means 100 times the force of gravity).

The mortar (or gun) consists of two cylinders and a cartridge. Equipment under test is placed in the cartridge. Air pressure is built up in the lower cylinder, then released by trigger. The pressure "fires" the cartridge into the upper cylinder, where it is slowed down and stopped by an air cushion.

Although the cartridge travels only nine inches, it attains speeds up to 50 m.p.h. It weighs 250 lb. At 100 G's this means the applied force equals 25,000 lb. The equipment is connected by conductor cable to a remote oscillograph, which analyzes and records its behavior.



Advertiser is a BW advertiser

CHECK!

Aluminum Company of America has been a Business Week advertiser for 18 years. Other advertisers in the *Manufacturers' Materials and Supplies classification who have been with Business Week for 10 years or more include: Westinghouse Electric Corp., B. F. Goodrich Co., General Electric Co., Acme Steel Co., Carpenter Steel Co., Goodyear Tire & Rubber Co., Hercules Powder Co., International Nickel Co., Keasbey & Mattison Co., Koppers Co., Inc., P. R. Mallory & Co., Inc., Timken Roller Bearing Co.

CHECK!

Under the classification above, Business Week in 1946 carried nearly TWICE as many pages of advertising as all other general business magazines COMBINED.

CHECK!

Nearly TWICE as many pages as any national news-weekly.

CHECK!

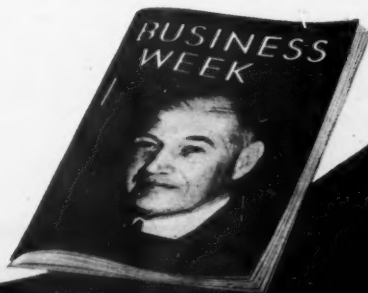
Per advertising dollar, Business Week reaches a greater concentration of management-men than any other general business or general magazine.

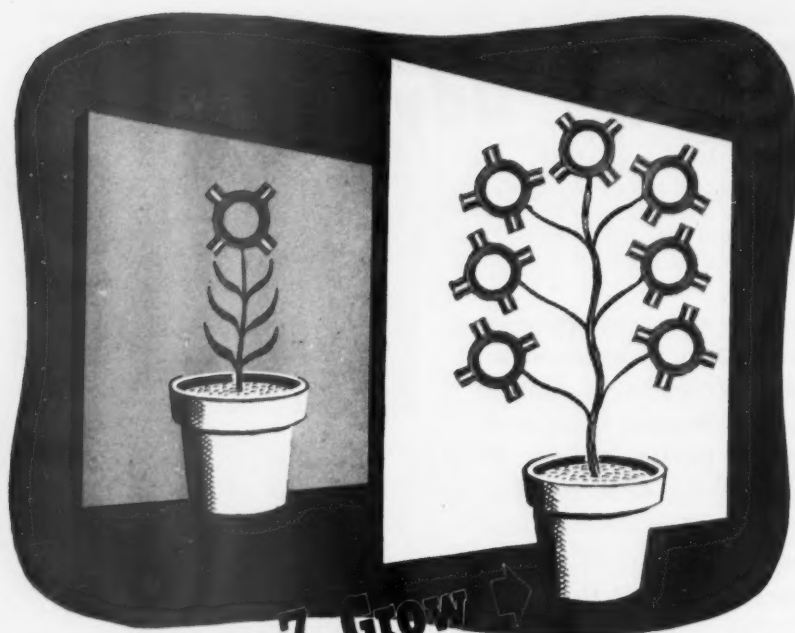
DOUBLE CHECK!

Advertisers of business goods in many other classifications prefer to use Business Week because they know—

**WHEREVER YOU FIND IT, YOU FIND A
MANAGEMENT-MAN . . . WELL INFORMED**

*Based on Publishers' Information Bureau analysis of 1946 advertising.





➔ **Making 7 Grow** **WHERE 1 GREW BEFORE**

As a manufacturer today, most of your efforts are directed towards producing at a lower unit cost in the face of rising wage and material markets.

You are having your production executives check every possibility for getting more output per machine; you lie awake nights thinking of ways to increase man-hour productivity; you watch rejects as never before.

One of your most productive steps can be the elimination of tiring, repetitive manual operations. For instance, if you operate drill presses, tapping machines, milling machines, etc., do you feed them automatically? Are the holding fixtures synchronized to open and close automatically? Do you clamp heavy duty vises by hand?

No matter what you make, many of your present operations involving repetitive manual movements can be done faster, and at lower cost, with Bellows "Controlled-Air" Powered Devices.

For example, in the machine tool field, machining the four pronged forged steel universal spider shown above took seven minutes per piece when turned on a lathe by hand. Production was increased 700% by doing the job with four drill press heads equipped with specially designed box tools. Spindles were fed by Bellows "Controlled-Air" Power Feeds; the part was clamped in the fixture by a Bellows Air Motor.

It takes only a few days to recover the cost of the installation when you can make seven grow where one grew before!

Suggest to your production executives that they study the possible application of versatile Bellows "Controlled-Air" Powered Units in your production processes. Write, or have them write, for the new booklet "Controlled-Air Power Replaces Manual Operations". Or, better yet, have them talk to one of our engineers. We maintain a staff of some forty field engineers in the United States and Canada. These men know production. They are skilled in the use of air power. They are at your service without cost or obligation.

The Bellows Co.

Akron, Ohio

gree of heat resistance is claimed. Relatively simple plant equipment is used to shape the mats. In sheet form, the material comes in thicknesses from 0.012 in. to 0.035 in. Gaskets and seals are stamped out.

For the decorative market the material comes in a shiny texture (Synskin), a cobweb pattern for light diffusion (Syn glo), and a loose-woven, lace-like texture (Synspun). Metalized finishes are also available.

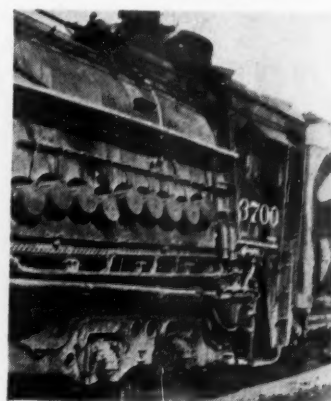
SALT SUBSTITUTE

Even if you can't eat sodium chloride, you can still have the taste of salt. Neocurtasal, a new salt substitute developed by New York's Winthrop Chemical Co., Inc., has a salty flavor, is palatable, flows freely, and is to be used in the same manner and for the same purpose that one would salt. But it contains no sodium.

The market Neocurtasal is aimed at is "hydrated individuals"—persons whose tissues store abnormal quantities of water. These people swell and become fat unless put on a diet of restricted salt and fluids.

The new powder is odorless, white, crystalline, and it will absorb water. It consists of potassium chloride, ammonium chloride, potassium formate, calcium formate, magnesium citrate, and starch.

FOR THE HIGH ROAD

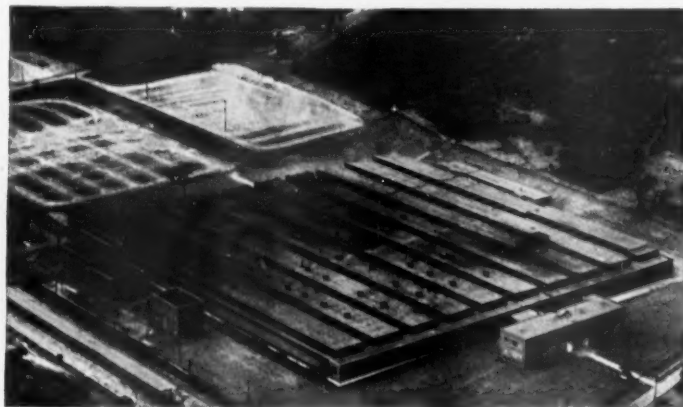


It doesn't matter whether you're a human being, an airplane, or a locomotive; when you get up high, you need more oxygen than the atmosphere provides. On the mountainous run between Salt Lake City, Utah, and Pueblo, Colo., the Denver & Rio Grande Western R. R. uses special equipment (above) to add extra oxygen to the locomotive's firebox. This aids combustion, increases efficiency, practically eliminates black smoke.

Westinghouse *and* RCA buy new plants in Pennsylvania

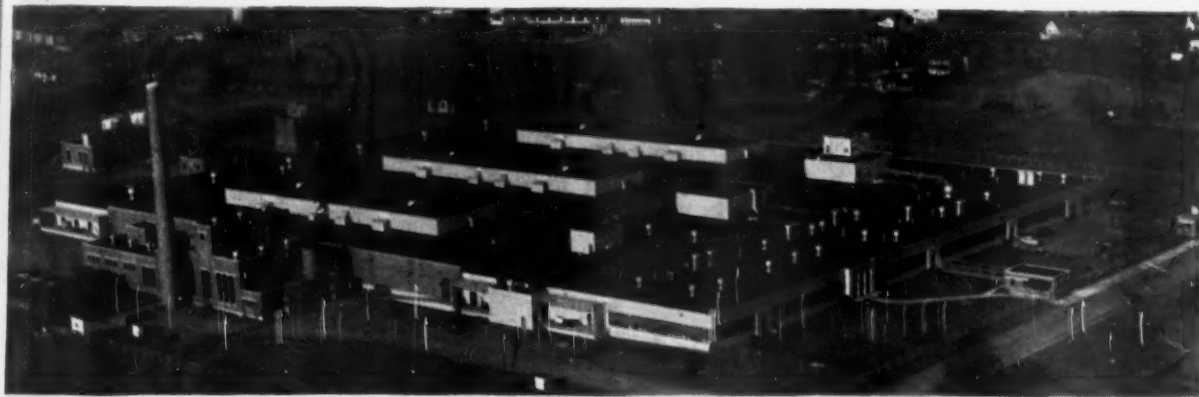
THERE ARE REASONS:

There are many reasons for the present great industrial activity in Pennsylvania. The idea of decentralization is sweeping industry. Rises in freight rates and trucking costs are making it ever more important to get close to the big eastern markets. These and many other factors are causing plans for many new plants in Pennsylvania. Should you consider a plant or branch in the midst of this big home market, close to the seaboard and within easy access of the export routes? Let us give you specific facts on locations, labor supplies, raw materials, taxes, etc. Write for the free illustrated booklet, "Let Your Business Grow in Pennsylvania".



Westinghouse Invests \$2,300,000 in this plant

Westinghouse Electric Corporation has just bought, for approximately \$2,300,000.00, the Government-owned propeller plant near Beaver, Pa., and will establish there its Standard Control Division. The output of this type of control equipment is at five times pre-war level and a \$20,000,000 annual production schedule has been set up for this new plant. The company will also manufacture other miscellaneous electrical equipment with 2,000 employees and an annual payroll of \$5,000,000.00.



RCA buys huge modern Electron Tube Plant

The RCA Victor Division of RCA will supply the tube needs of the television industry at this radio and television tube plant originally built for the Navy at Lancaster, Pa. The plant, with over 326,000 square feet of manufacturing space, will manufacture tubes used in both television cameras and receivers, power tubes for radio stations, photo tubes and other special purpose tubes.

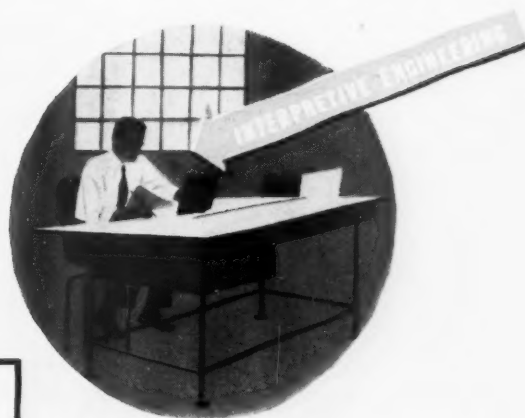
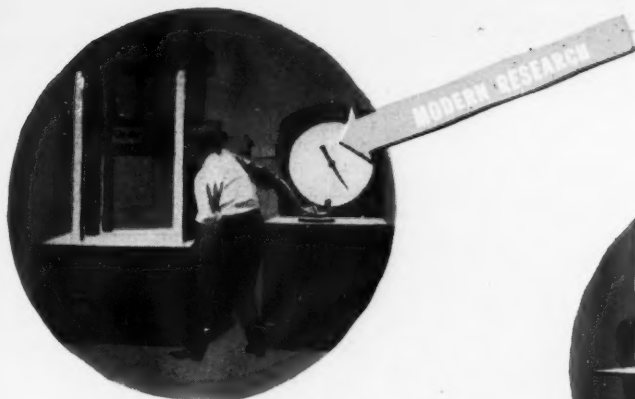
COMMONWEALTH OF

Pennsylvania

HARRISBURG, PA.

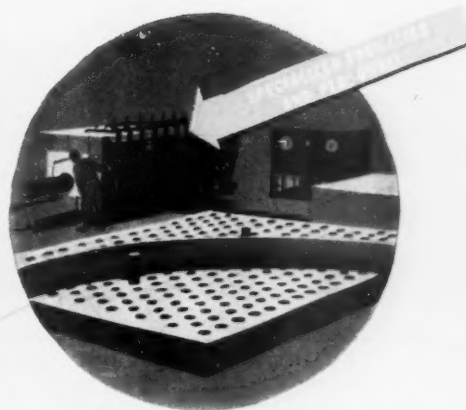
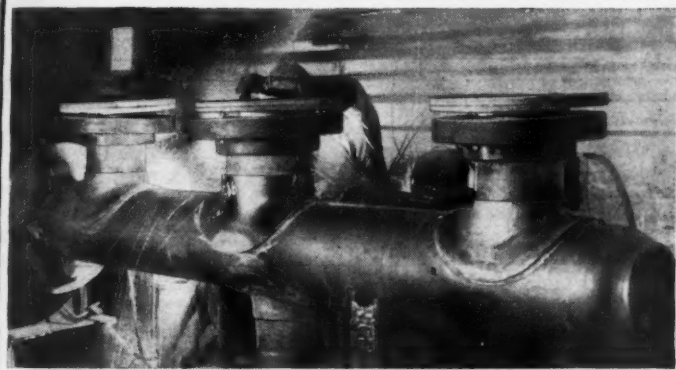
James H. Duff, Governor

Orus J. Matthews, Secretary of Commerce



PREFABRICATED PIPING ASSURES QUALITY AND ECONOMY

- ★ One Source for Design and Fabrication
- ★ Pretested and Approved before Shipment
- ★ Only Completed Assemblies billed --
at Predetermined Prices
- ★ Predetermined but flexible Delivery Schedule
- ★ Reduction in Field Assembly Time



A TYPICAL EXAMPLE OF GRINNELL PIPING SERVICE

COMPLETE . . . EVERYWHERE

Products Manufactured
 Pipe and Tube Fittings
 Engineered Pipe Hangers
 Prefabricated Piping
 Grinnell-Saunders Diaphragm Valves
 Thermolier Unit Heaters
 Job Work Casting
 Automatic Sprinklers and Special
 Hazard Fire Protection Systems
 Amco Humidification and
 Cooling Systems
 Other Piping Specialties

Supplier of . . .
 Pipe, Valves and Fittings
 Specialties for Plumbing, Heating,
 Water Works and General Piping



GRINNELL COMPANY, INC.

Executive Offices

PROVIDENCE 1, RHODE ISLAND

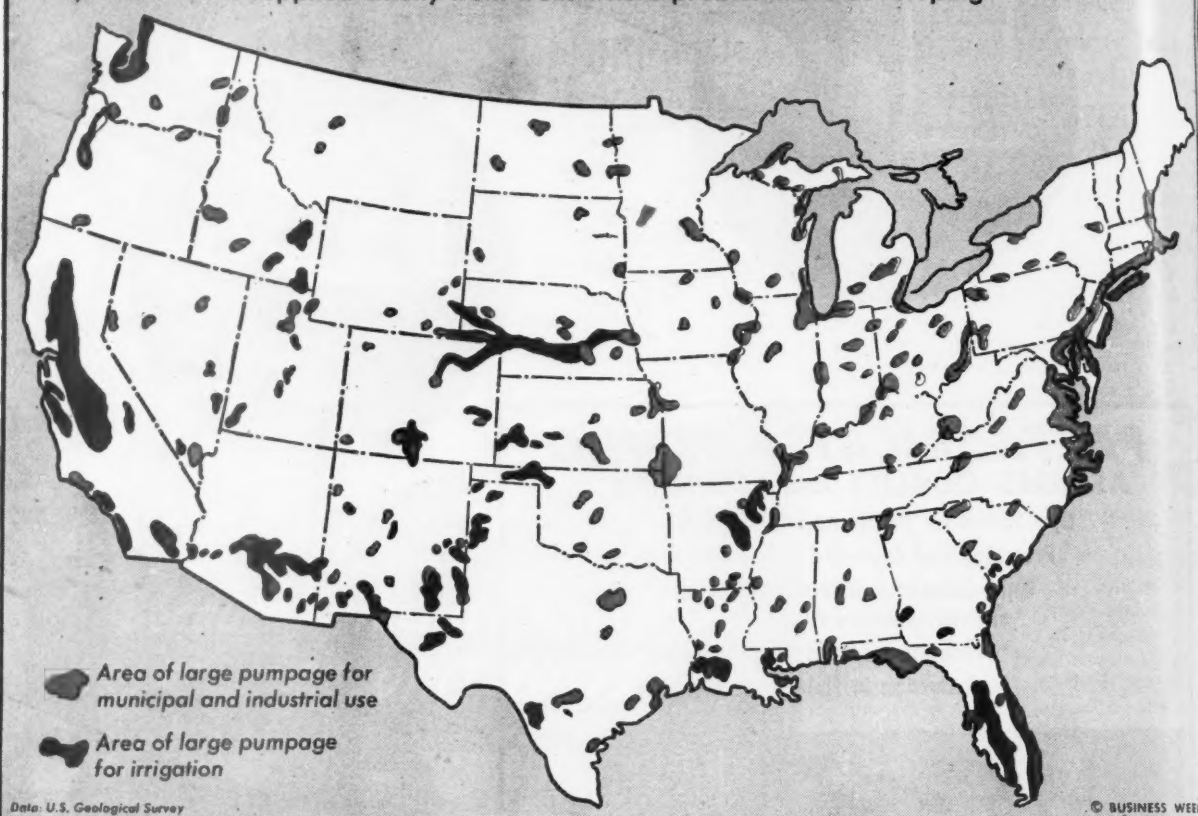
GRINNELL



WHENEVER PIPING IS INVOLVED

WHERE WATER IS PUMPED—AND WHY

Important areas supplied chiefly from wells where problems are developing



much as \$100 million a year. This would be used for loans or grants to states or municipalities, or for loans to industry to finance private waste-treatment facilities.

One bill, introduced by Rep. Karl Mundt (R., S. D.), would set up more detailed machinery for enforcing abatement orders. It would also prohibit new sources of pollution.

• **State Control**—But many national and local groups of engineers and health officials strongly oppose federal control. They would welcome financial aid, but they fear a bureaucratic enforcement machine. Their main reason: The problem is too complex, too tied up with local economic and social conditions to make federal control anything more than a complication. Further, they point out that some 40 states already have laws requiring stream purification. Most of these have special commissions actively engaged in strict enforcement.

Advances toward decontamination have taken a terrific spurt since the war's end. Pennsylvania officials, for example, have been given broad powers. They have ordered more than 500 municipalities and 400 industrial plants to end pollution of streams. Other states are attacking the problem with vigor. In the past year eleven have set up special

commissions or boards to oversee pollution control activities.

• **Industrial Efforts**—Industry, too, is showing an increased interest. Many companies have whole staffs at work figuring out ways to return used water in reasonably near the same condition in which it is received.

Although the over-all increase in stream pollution has lately outrun its cure, some progress has been made. Even during the difficult war period (1938-46), the number of plants treating industrial wastes increased from 771 to 1,114.

Also, some 1,200 new sewer systems with special treatment facilities were built for small communities during the war. This year's plans for municipal construction of waste treatment facilities run to nearly \$2 billion. (Philadelphia plans to spend \$78 million in 1947.) Such construction is badly needed; the sewage wastes of only about half the United States urban population are treated.

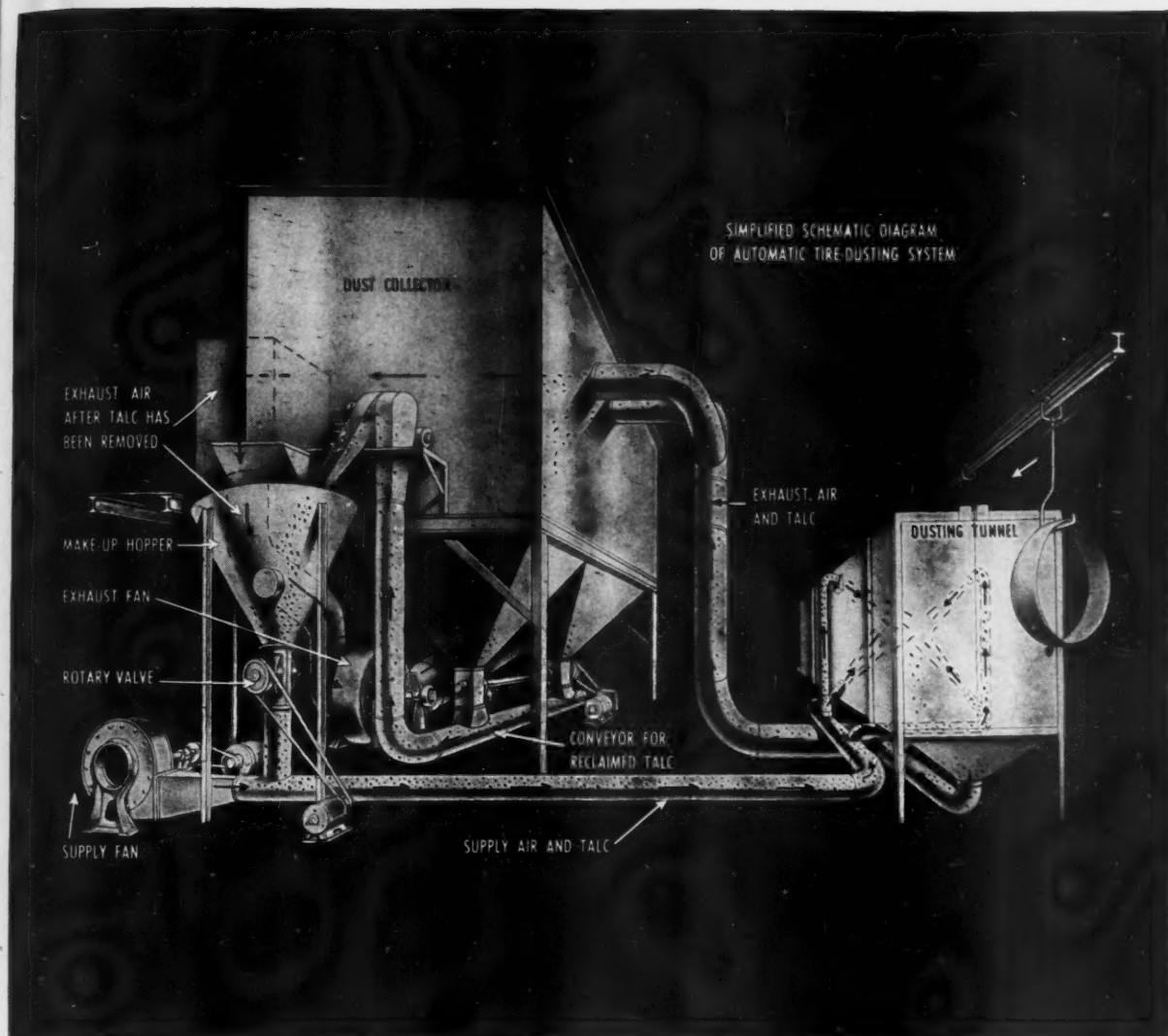
• **Pristine Pure?**—The most vehement agitators for water purification are sportsmen's associations. They want towns and industries to return used water "pristine pure," so that fish and other wild life won't be harmed. But from a practical point of view, such an

achievement would be prohibitively expensive, no matter who financed it.

At a recent meeting on the subject, William S. Wise, chief engineer for the Connecticut State Water Commission, defined the most practical goal. He said: "A happy medium must be worked out between the unattainable extreme of pristine purity, and the unforgivable extreme of gross pollution." This would distribute the expense more or less evenly along the length of the stream.

• **Groundwater**—For a source of pure water, there is another out—the increased use of "groundwater" (from wells). The big water-using industries—oil refineries, chemical plants, paper mills, food processors and distributors—prefer groundwater to surface water. It has a constant temperature, cleanliness, and uniform chemical composition.

But the fact that its industrial use jumped from 2 billion gallons a day in 1938 to some 5½ billion in 1945 has led to further difficulties. Its continued use has lowered groundwater levels dangerously in some areas. To overcome this drain, groundwater supplies are being recharged in some areas—particularly around Los Angeles. The method is to store surface flood water behind low dikes, let it percolate underground rather than run uselessly away.



Here's the latest thing in "powder rooms"

POWDERING automobile tires is a dusty, tedious and costly job—when done by hand. Looking for a better way, a large rubber company came to Sturtevant. Result: This pneumatic dusting system that does the work *automatically*—at the rate of 900 tires an hour!

It applies an even coat of powdered talc, preventing tires from sticking in the vulcanizing forms, and eliminating rejects which were unavoidable before. Working conditions are improved and

dusting costs slashed, as all talc is confined in an enclosed system which requires little attention—and the excess talc is collected and used over and over again.

Skillfully engineered air offers every business—commercial or industrial—one or more ways to cut costs, attract customers, increase production. In air conditioning, drying, conveying and air cleaning there are new opportunities as yet only partially realized by American business. And Sturtevant can help—not only

with equipment but with ideas and planning. For Sturtevant, now a division of Westinghouse, is the only manufacturer of *all* the components for air conditioning, air handling and air cleaning. Write: Westinghouse Electric Corporation, *Sturtevant Division*, Hyde Park, Boston 36, Mass.

Westinghouse
Sturtevant
 DIVISION



**A USPM Metered
Mail Machine is the
Heart of Any Modern
Mailroom System!**

NOTHING speeds up and smooths out your mailing operations as effectively as a USPM Metered Mail System. By imprinting postage and mailing date on mail simultaneously, in your own office, this system eliminates cancelling operations in the post office—speeding its delivery to trains and planes.

Time is saved in your office, too, because sealing, printing of meterstamp, town and date circle, postmark and an advertising message, counting, stacking and postage accounting are done in one automatic operation.

A USPM Metered Mail System cuts postage costs, saves clerical hours, increases sales and builds prestige. It gives positive control over your postage account and automatic protection against postage loss. It's the modern way to speed and safeguard your mail. Your USPM specialist will gladly give you a demonstration. Call him today.

FOR FURTHER INFORMATION, SEND FOR THIS FOLDER



USPM offers you *complete* mailroom service—expert planning, systems and equipment to fit your particular requirements. Write Dept. BW-57 for "Blueprint" Folder giving full information.

Visit our exhibit at the National Office Management Association Conference, May 25 to 28, Cincinnati.

**Metered Mail Systems... Letter and Parcel Post Scales... Letter Openers... Envelope Sealers
Multipost Stamp Affixers... Mailroom Equipment... Endersographs... Ticketograph Systems**

Sales and Service Offices in Principal Cities

U. S. POSTAL METER DIVISION

Rochester 2, New York
Commercial Controls Canada Ltd., Toronto 1, Ontario

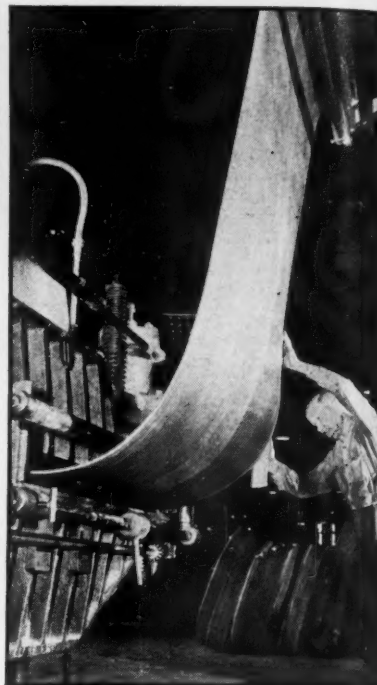
**COMMERCIAL
CONTROLS
CORPORATION**

U. S. Rubber Develops Belt for Heavy Loads

Improved efficiency in heavy-materials handling is promised with a new conveyor belt which has been developed by the United States Rubber Co.

Strength, claimed to be 250 to 400 times greater than that of previous rubber-fabric belts, is obtained by using a new textile construction. Nylon (cross-wise) and Ustex yarn (lengthwise), bonded with rubber, also yield low stretch and increased flexibility.

Splicing and repair are easy, accord-



Strength with flexibility.

ing to U. S. Rubber technicians. They add that the belt will make possible longer runs.

P. S.

Bituminous Coal Research, Inc., national research agency of the industry, announced this week a new "undergrate air distributor" for railroad steam locomotives. By improving the distribution of combustion air, fuel savings ranging from 7% to 15% are being obtained in road tests. The device was invented by Vaughn Mansfield of Southern Coal Co., Inc., Memphis.

The Book of A.S.T.M. Standards for 1946 contains more than 1,400 standards, specifications, tests, and definitions for materials. The 7,000-page annual has just been published by the American Society for Testing Materials, 1916 Race St., Philadelphia 3.

Again in 1947 only Chevrolet brings you

BIG-CAR QUALITY AT LOWEST COST



THE NEWEST CHEVROLET

**out-styles, out-values and out-saves
all other cars in its price range**



CHEVROLET MOTOR DIVISION, General Motors Corporation, DETROIT 2, MICHIGAN

6 REASONS

THIS FROZEN FOOD TRUCK MAKES MORE MONEY



By utilizing Monsanto's Santocel, "world's most efficient insulating material", Jordan Marsh, Boston department store, made important long term savings in its new frozen food delivery system. In place of conventionally insulated trucks, Jordan Marsh utilized Santocel insulated pre-load containers . . . cut the insulation thickness in half, thereby:

1	Reduced weight: Instead of the heavy truck originally planned (weight: 8800 lbs. without food, over five tons with!) they got a truck with a gross weight of 7600 lbs. including a ton of food.
2	Reduced maintenance costs: Less weight meant less for gasoline, tires, upkeep.
3	Time saved by pre-loading.
4	Time saved by "in-cab" operation, possible only with Santocel insulated containers.
5	Time saved on operations: Truck layups don't stall system. Containers go into other trucks.
6	Space saved: Extra room makes possible delivery of other products.

If you deal in "cold" directly or indirectly, it may well pay you, too, to do some figuring with a Santocel engineer. Write, wire or phone: MONSANTO CHEMICAL COMPANY, Merrimac Division, Boston 49, Massachusetts.

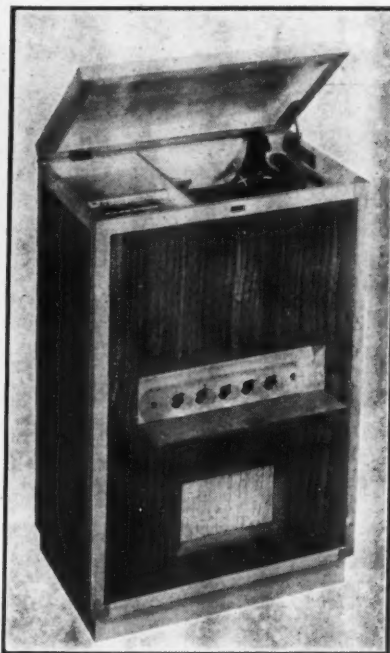
Santocel: Reg. U. S. Pat. Off.



NEW PRODUCTS

Words or Music

Either "piped" music for employees or voice-paging can be handled by a sound console produced by Executone, Inc., 415 Lexington Ave., New York 17. Using the new sound system, it is possible to make loudspeaker page-calls from microphone stations in the shop or



factory without approaching the console. Any number of microphones can be used with the unit.

A mahogany-veneer cabinet houses the main unit. Output of 50 watts is available; for systems requiring greater power output, amplifiers can be added.

For paging, a button is pressed at the microphone to be used; this lights a busy-signal lamp at all other microphone control stations, cuts off any music program in process. A special channel control enables any or all of six channels to be used for music; yet a voice message can be sent over all channels whether they are receiving music or not. A number of other special circuits are included.

Availability: immediate delivery.

Flame Preventive

Antoxol is an organic compound for flameproofing fabrics, manufactured by Eronel Industries, 5714 W. Pico Blvd., Los Angeles. The compound "will not alter the color, appearance, sheen, or feel of the most delicate fabrics"; laboratory tests indicate that it increases the tensile strength of the material treated. According to Eronel, Antoxol assures

permanent protection; fabrics treated with it may be dry-cleaned repeatedly. Availability: immediate delivery.

Two-Metal Brake Drum

Frictional heat is dissipated more quickly by a new copper and steel brake drum, according to Copperweld Steel Co., Glassport, Pa., the manufacturer. The drum's friction surface is alloy steel; the outside of the drum consists of a layer of copper with specially designed copper fins. Because of the high thermal conductivity of copper, the drum dissipates heat to the atmosphere at a rapid rate; in addition, the entire brake-drum surface is maintained at a more uniform temperature level. The company claims that this causes less wear on blocks and drums.

Availability: short-time delivery units for field testing.

House "Prefabricator"

Doing millwork and cutting on the job saves time in building a house. Equipment Engineering Co., Chicago, Ill., has developed the Mobil-Shop which it claims will do the job. Mounted on wheels, the Mobil-Shop can be attached to any car or truck.

A radial-arm-type woodworking unit does the work required. The assembly rolls through any standard door for interior work. A heavy, zipper-closed tarpaulin covers the unit when not in use.

Availability: deliveries begin in June.

All-Plastic Rowboat

One person can handle the 80-lb. plastic dinghy produced by General Electric Co.'s Plastics Division. Beetle Boat Co., New Bedford, Mass. Made from a resin-impregnated glass



RELIANCE MOTORS Power *7 of every 10* Coal Loaders



This Joy Coal Loader is mechanically simplified by the use of electric drive.

Enjoy the same advantages that created this preference for Reliance Motors on your equipment

The dependable and economical performance of Reliance Motors—frequently in grueling two and three shift service underground—has made them the first choice of coal operators. And you can have the same outstanding performance in the sturdy motors Reliance

has designed for a wide range of industrial applications.

Next time you're ordering new machinery—next time you need motors for replacement—specify Reliance. See for yourself how Reliance Motors help keep production up and costs down.

RELIANCE ELECTRIC & ENGINEERING CO.

1069 Ivanhoe Road



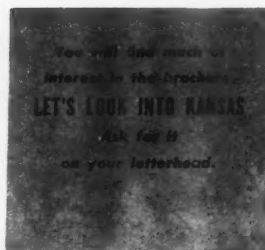
Cleveland 10, Ohio

Albany, Wis. • Birmingham • Boston • Buffalo • Chicago • Cincinnati • Dallas • Denver • Detroit • Gary • Grand Rapids • Greenville, S. C. • Houston • Kansas City
Knoxville • Los Angeles • Milwaukee • Minneapolis • New Orleans • New York • Philadelphia • Pittsburgh • Portland, Ore. • Roanoke, Va. • Rockford • St. Louis
San Francisco • Seattle • Syracuse • Tampa • Tulsa • Washington, D. C. • Sao Paulo, Brazil

RELIANCE ^{A-C}_{D-C} MOTORS



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KANSAS INDUSTRIAL DEVELOPMENT COMMISSION

810 HARRISON STREET

TOPEKA, KANSAS

KANSAS **REALLY**

MEETS INDUSTRY HALF WAY

* The forty-three percent of total population of Kansas which represents the effective manpower age-group, 20 to 50 years, is intelligent, versatile and experienced. And for many years Kansas has ranked among the top states in literacy.

Thousands of workers are skilled and experienced in various processing activities involving use of plastics, light and heavy metals and wood. Thousands more are familiar with operations and processes in aircraft manufacture, metal working, smelting, milling, cement manufacture, mining, metallurgy, the production of ceramics and textiles, petroleum production and refining, packing industries, laboratory techniques, foods processing and production of precision parts and equipment.

This adaptability, versatility and experienced skill of Kansas workers is available to you from the day you establish operations in Kansas.

mat, the nine-footer will accommodate five persons.

Practically no maintenance is required; the boat is said to be impervious to salt water or worms and can be stored without regard to climate. A plastic foam which is incorporated in the hull and gunwales gives it permanent buoyancy.

Three rope holes and four outboard sockets are molded into the boat. Outboard motors can be attached.

Speedy Drill

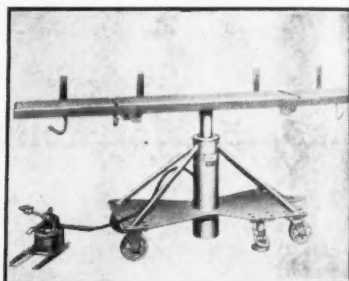
Faster drilling is the objective of the Di-Met Core Drill being manufactured by Felker Mfg. Co., Torrance, Cal. To achieve this, the drill combines metal-bonded, diamond-abrasive rim and a special cooling system. Coolant is supplied through the drill stem under pressure. Chips and sludge are flushed from the hole by the pressure.

The drill is intended for drilling hard, brittle, nonmetallic materials. On most operations coolant from the local water main is satisfactory. When drilling exceptionally hard materials, such as petrified wood, special coolants or additives may be preferable.

Availability: immediate delivery.

Elevating Stock Table

A hydraulic elevating table, produced by Lyon-Raymond Corp., 3432 Madison St., Greene, N. Y., is intended for



feeding strip or sheet metal to sheet rolling mills, punch presses, and similar machines. Since the table's height is adjustable, stock can be kept at the desired height for feeding without awkward handling or bending of stock.

The table, which may be loaded with a fork truck, is portable. A hydraulic pump is attached to the central cylinder by flexible hose. This permits placing the pump where it is most convenient for the machine operator.

Availability: delivery in six weeks.

Glass Eraser

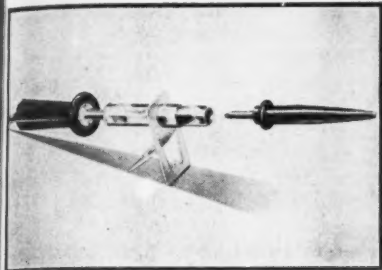
Typewriter erasers made from glass fibers are designed to brush away errors by picking up the ink. The Rub-FybRglass-Eraser, made by Eraser Co., Syracuse, N. Y., consists of a plastic

holder containing a replaceable glass-fiber core.

The eraser is the width of a single typewritten letter for easier erasing. No shield is required to protect carbon copies, and the eraser leaves no crumbs to gum up the typewriter mechanism, the company reports.

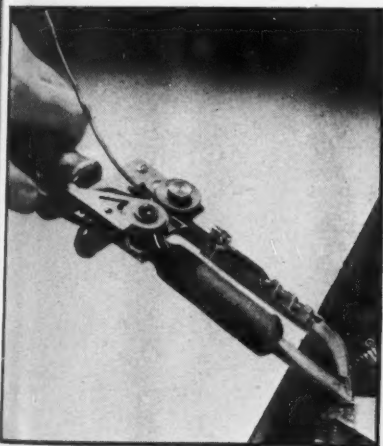
Two Soldering Aids

For soldering in tight spots, Sound Equipment Corp. of California (Glendale) has developed a pencil-type, cordless soldering iron. It is operated in combination with the corded Kwikheat



iron, made by the same company. The Kwikheat's normal soldering tip is removed, and the heater-receptacle for the cordless iron is screwed in. The cordless iron is inserted in the heater-receptacle in the manner of a pen into a desk-type penholder. A forged tellurium-copper alloy tip reportedly holds at 680 F for nearly a minute; it reheats in 20 seconds.

A second soldering aid, manufactured by Nelpin Mfg. Co., 30-30 Northern Blvd., Long Island City, N. Y., is intended to give the solderer the equiva-



lent of a third hand. Called Solder-Matic, it's an attachment which fits on any standard soldering iron. A flick of the index finger feeds a measured amount of solder to the tip of the iron. It will feed directly from a large spool of solder on the workbench; or it may be used with short lengths of wire.

Availability: immediate delivery on both items.

I'm tired of being the goat!

ALL RIGHT, JIM.
AFTER THIS
PUT IT IN WRITING



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New Hammermill book will help you create a smoother-running business!

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effective—it is to establish that practice in your office. It shows how this simple adjustment of your office routine does avoid misunderstandings, friction, waste motion, delay, mistakes, alibis—and gets things done right the first time. Send the coupon for your copy. The book is free.

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(Please attach to, or write on, your business letterhead) BW 5-10

MARKETING

That "Five-Day" Problem

Retailers face obstacle to cost-cutting in trend to shorter work week. Question: Is it better to stay open all six days with a five-day sales force, or to shut the store an extra day?

When all the sales curves pointed upward, it was easy for retailers to let increased volume solve their financial problems. But the graph lines have leveled off (BW-Apr. 26 '47, p17). Many stores are coming to the conclusion that they will have to cut costs if they want to keep profits up.

• **Stumbling Block**—This problem will be made especially difficult by the increasing vogue for the five-day week for employees, which reinforces the pressure of rising wage rates on selling costs.

The five-day week for retail employees began in New York City in 1941, soon spread to stores in other cities such as Providence, Baltimore, and Washington. But the war manpower shortages temporarily halted the trend. Stores in critical labor areas—among them Washington and Baltimore—were required to return to the six-day work week since they continued to stay open six days.

• **The Hartford Plan**—With the end of the war the push for the five-day week began all over again. Hartford made the big news last year when, in February, five of the leading department stores and a number of specialty stores adopted the five-day shopping week (except at the Christmas season) along with the five-day employee week (BW-Jan. 19 '46, p77).

Since then "five and five" has spread, in whole or in part, to a number of other cities. Among them are New Haven, Bridgeport, and Meriden, Conn.; Springfield, Salem, and Athol, Mass.; Providence, R. I.; Elizabeth, N. J.; Indianapolis and Fort Wayne, Ind.; and Kalamazoo, Mich.

• **Other Ways**—Two other operating patterns are prevalent. The National Retail Dry Goods Assn. has just completed a survey of the work week in retail trade in March. It finds that stores in many cities, while they have granted the five-day week to employees, continue to stay open six days. Finally, there are the holdouts for "six and six."

The latter group appears to be fighting a losing battle, however, at least in the big cities. Store employees and their unions will continue to press for a five-day week. And eventually the stores will have to give it to them, in order to get the kind of personnel they need. So for the long term, the argument

seems to be between the comparative advantages and disadvantages of "six and five" and "five and five."

• **Cost Data**—N.R.D.G.A. has gathered some preliminary data on cost increases experienced by stores that maintain the six-day shopping schedule while granting their employees a five-day week. Results so far indicate that direct payroll costs are raised between 8% and 12%; the average is about 11%.

New York's experience offers some encouragement. Stores have had "six and five" there ever since 1941. When the system was originated in 1941, direct payroll increases were about 12%; by last year the store managements had managed to get it down to an 8% average.

Most stores make "six and five" work by staggering the schedules of their full-time employees. But one big New York department store believes that the answer lies in getting more part-time sales clerks. Theory is that use of part-

time people permits retailers to give their regular employees an extra day off during the slack midweek, and to maintain an augmented staff on the heavy week-end shopping days. The store now has half as many part-time employees as full-time, wants an equal number.

• **On the Other Hand**—Stores on a "five and five" operation, of course, avoid all the added payroll expense of the "six and five." In addition, they report terrific savings on nonselling expenses, such as window trimming and storekeeping. These activities all used to be done during regular hours (which annoying results to customer convenience) or after hours or on Sunday at overtime rates. Now they're done on the off day. Employee efficiency also steps up considerably in response to the regular five-day-week, eight-hour schedule. Significantly, there have been hardly any attempts to save money by cutting down on newspaper advertising because of the reduced shopping week.

• **Effect on Sales**—How about sales volume in stores that have been operating on a five-day shopping week? In both Hartford and Providence, Monday, the closing day, has always been a light shopping day. In summer, stores in these cities traditionally closed on Monday rather than on Saturdays, as elsewhere.

Hartford retailers maintain that the sales have continued to gain, and have been ahead of the Federal Reserve Board's average for the district. The



GROUND GUIDES FOR SKY TRAVELERS

Roofmarkers that really aid flyers are plugging Goodyear Tire & Rubber Co. for the ever-growing number of air pilots and passengers. The first Goodyear sign has been completed at its Lincoln (Neb.) plant; others are scheduled. These billboards of the air, set up in cooperation with CAA, do more than plug a company. They also tell a flyer where he is, where north is (arrow left), and the direction and distance of the nearest airport.

THE UNIVERSAL 'JEEP' SPEEDS UP CONSTRUCTION



"I don't know how we'd get along without our 'Jeep,'" says Lee Shrewsbury, of Schneider & Shrewsbury, Toledo construction firm. Here their 'Jeep' is, taking cement blocks in from the street, across a muddy, churned-up building site.

It's the all-purpose vehicle for builders and contractors

You can't beat the "Jeep" for real help on construction jobs. It negotiates muddy, churned-up building sites—saves time in scouting around the project, takes tools and materials right where they are needed. It has 4-wheel drive for heavy going or off-the-road travel; uses 2-wheel drive on street or highway. With three power-take-off points that operate many types of equipment, the "Jeep" serves as a mobile power unit that always gets to the job. This versatile, all-purpose vehicle is doing a hundred different kinds of work for builders and contractors everywhere. See it today.



Howard Schneider, Shrewsbury's partner, says, "Our 'Jeep' is never idle. We use it for digging, loading and cleaning up after jobs, as well as a pick-up and tow truck. We often carry loads of 200 lbs. or pull trailers of 2 1/2 tons."

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WILLYS-OVERLAND *Makers of America's Most Useful Vehicles*

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ELIMINATE LOSSES in pressure and volume due to friction and leaks in long compressed air lines by departmentalizing air compressors in your plant with Wayne "Packaged Units of Power" installed at the point of use. Then you have all the air you need where you need it, at lowest cost. Write today for booklet.

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Honest
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number of stores there with "five and five" has been increasing. has reached 50. Providence stores operating on "five and five" also report sales gains.

• **"Unreliable"**—But opponents of "five and five" scoff at these favorable reports as unreliable. Their argument, a hard one to refute: It was easy for everyone to make money last year. The important test, they say, is still ahead; when the get tough, the smaller stores may go back to six-day operation; then how the big stores make out on five days.

As evidence, they cite reports from Providence that those stores that do remain open on Monday find their business sharply increased on that day.

• **Banks Are Doing It**—The "five and five" enthusiasts see support for their theory in the recent movement to close banks two days a week (BW—March 47, p82). But there is one big stumbling block ahead. In such cities as Hartford, Providence, Indianapolis, where "five and five" flourishes, shopping is concentrated in the downtown area, with a minimum of neighborhood or suburban shopping centers.

But this is not true of Boston, Chicago, New York. In those cities, out of competition from these outer shopping areas will weigh heavily in the minds of downtown store operators when they consider the advisability of "five and five."

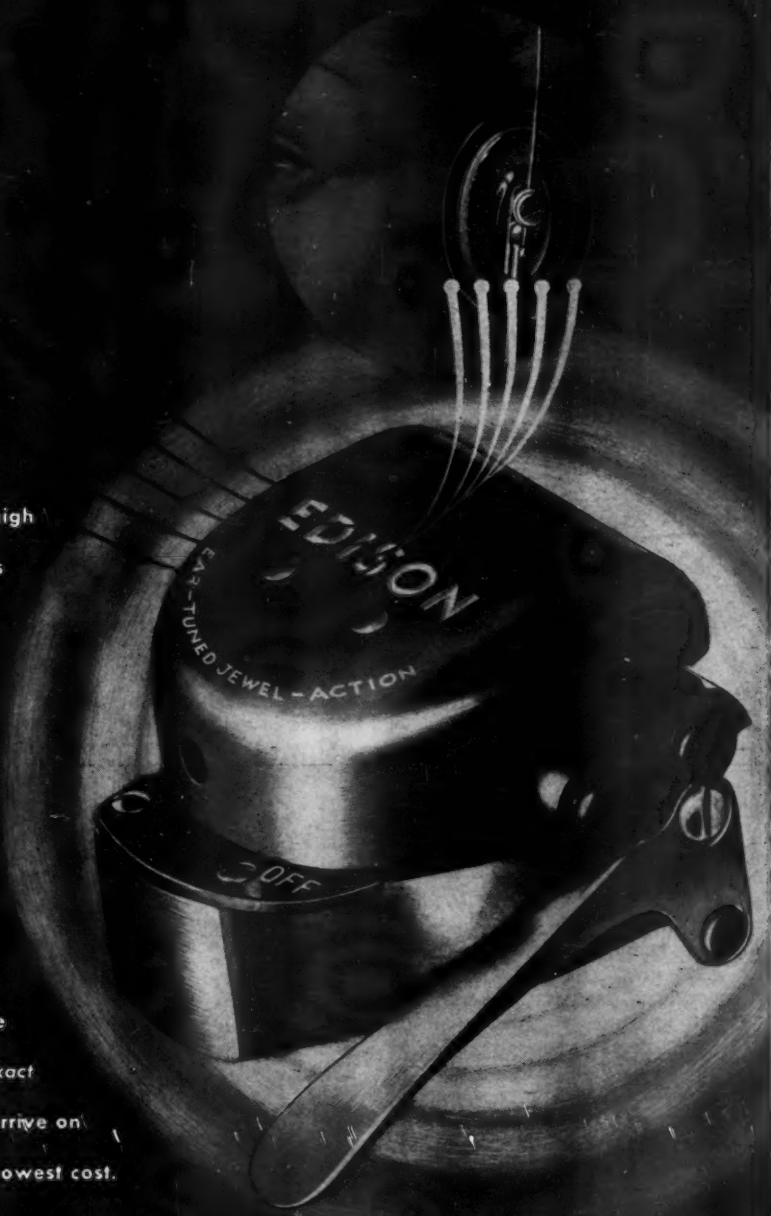
• **Pointers**—If "five and five" is spread, retailers will profit by remembering some of the lessons that stores in Hartford have had to learn the hard way:

- Physical plant must be adequate to handle six days business in five; this means elevators, escalators, aisle space;
- Salespeople have got to be good enough to handle more customers (preferred solution) or else more personnel will be needed;
- Parking and traffic conditions in the city must be adequate to handle the increased load on the five-day basis.

Zenith Abandons Annual Model Tradition

Never so happy as when knocking over a tradition, President E. F. McDonald, Jr., of Zenith Radio Corp. last week took a crack at annual model. Hereafter, he announced Zenith intends to incorporate most improvements in current model as rapidly as they are developed. It will put out new models only when major changes occur. Inside expect that Zenith will hatch new models far less frequently than once a year for each item of the line.

• **Dealers Cautious**—Radio shows held in New York and Chicago each spring were once the industry's hope of picking up summer sales. Entire new



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move faster, easier, at less
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by the modern miracle of
electronics. The Edison Electronic
Voicewriter . . . identified
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Thomas A Edison

Thomas A. Edison, Incorporated, West Orange, New Jersey. [In Canada: Thomas A. Edison of Canada Ltd., Toronto, Ontario.]

1847 • THOMAS A. EDISON CENTENNIAL • 1947



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from dragging, and top rails from buckling. Or the expert installation which is made by Cyclone's factory-trained crews.

Send coupon for our free book. It will help you to judge Cyclone superiority for yourself. And also to see which of the 14 types of U.S.S. Cyclone Fence best fits your needs.

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UNITED STATES STEEL

were brought out for these shows. The usual effect of this practice was to scare dealers out of buying anything after late winter, lest retail stocks take a beating from obsolescence. Then the dealer ordered a new stock from samples at the show, waited most of the summer for deliveries while the factory struggled to get production rolling. Thus radio sets in prewar years were sold to consumers almost exclusively in autumn and winter.

Many dealers disliked annual models. The traditional yearly shiftover could break a retailer who was caught with a lot of slow-moving numbers.

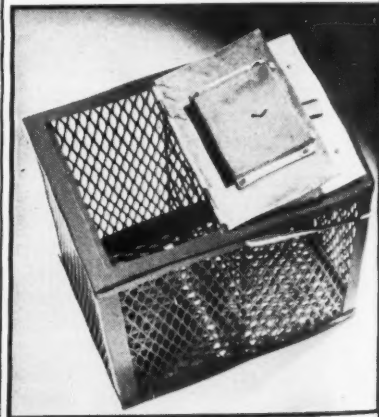
• **The Right Moment**—McDonald says Zenith decided on its new policy of no more annual models a year and a half ago. He waited until now to announce it because the best time would be when "big demand still existed but when a buyer's market could be seen just around the corner."

POP ON THE DOORSTEP

An experiment in automatic vending of soft drinks at the door is being conducted in Joplin, Mo.

Key item is a vending machine invented by Glenn Mitchell, local bottler. The device is a container with two compartments, each holding six bottles of up to twelve ounces.

A sales serviceman visits a customer once a week. The housewife, who knows what day in the week he'll come, just leaves the container outside for



For drinks at the house.

servicing. To get the drinks, she inserts a quarter in each compartment. The salesman takes the coins on his refill trip.

Mitchell has installed more than 600 containers since last August, and plans to have 1,000 in operation by the peak season this summer. Brands currently handled by the machine are Dr. Pepper, Seven-Up, Pepsi-Cola, and a private brand root beer. One housewife is so delighted with results that she keeps four containers busy.

Cosmetic Slump

End of buying spree brings shakeout of some newcomers. But the industry still entices firms seeking to diversify.

Jimmy Durante has the word for the dominant wartime trend in the cosmetic business: "Everybody's tryin' to get into the act." Firms and individuals who figuratively at least didn't know a lipstick from an eyebrow pencil went into cosmetics for a profitable sideline—which it often was.

Now, however, some of those newcomers are getting out of the act. The reasons are plain. Last year retail cosmetic sales broke all records by reaching \$699,600,000. But the New Year had hardly arrived when retailers began returning shipments. This is a common trade practice; but returns reached flood proportions this year. The retail buying spree had ended with Christmas.

Down—and Out—Many of the retailers dropped slower-moving lines. Many stubbornly refused to re-order even nationally advertised brands until they had disposed of lesser known goods somehow. The Toilet Goods Assn. reports that retail cosmetic sales in the first quarter of 1947 were slightly over the same period of 1946. But manufacturers' sales to retailers were below normal, and for some firms the declines were drastic.

Casualties were inevitable. Gloria Vanderbilt Corp. last week filed a petition of bankruptcy after less than a year's operation (BW—Jul. 27 '46, p. 73). Other financial crises in the industry are, and will be, no less real—though probably less apparent. The cosmetic business is one in which few firms fail; someone else merely buys out the ailing one at an appropriate moment.

Down—But Not Out—Even well-established companies have found the going rather rocky. Helena Rubenstein, Inc., declared a 25¢ quarterly dividend on common stock for Apr. 1, instead of the 50¢ dividend it had paid throughout 1946. The most articulate about the situation in this characteristically clam-mouthed industry was Revlon Products Corp.

Revlon circularized the retail cosmetic trade with a pamphlet by Martin Revson, its vice-president, staunchly maintaining that "there's nothing the matter with the cosmetic business." Revson recognized that the industry was returning to a postwar normal and advised retailers that "it's the nationally advertised brand that pays off." He advised retailers to slough off less well-known brands.

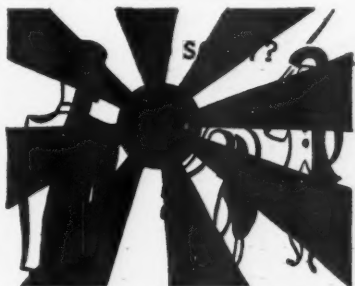
The newcomers who stick with cos-

MEMORANDUM

TO MANAGEMENT



Herbert Leopold, who is now Business Week's correspondent in Melbourne, Australia, served in Tokio in the same capacity before the war.



The Japanese Takko—special higher police—arrested Leopold the day after Pearl Harbor. The keen analysis of Japanese budgetary juggling in his dispatches to Business Week and his revelation of Japan's economic preparations for war in 1941 had annoyed the Japanese government. Although his sources of information were parliamentary records and others available to anyone who could read the Japanese language (and the Japanese mind) he was apparently suspected of spy activities and of having access to secret information.

During four long years, while Herbert Leopold endured the bitter hardships of Japanese concentration camps, Business Week received word from him



only once; a mysterious letter bearing only his initials and the words: "Am alive." All efforts to locate him or to bring about his release and transfer to this country went for naught.

When war with Japan ended Herbert Leopold was freed and, anxious to forget what he had endured, left at once for Australia. From there he communicated with John Chapman, Business Week's foreign editor. Chapman arranged for Leopold to remain in and report from Australia.

Herbert Leopold fits nicely into his new assignment. His knowledge of Japan's economy stands him in good stead. But his study of industry and trade throughout the Far East during his ten pre-war years in Japan is of equal value to him. And in the eighteen months he has been in Australia he has had a fine opportunity to appraise the economy of that country, too, as background for his highly intelligent dispatches.

With the rapidly increasing trend toward producing in, rather than shipping to, foreign markets, Leopold's assignment daily becomes more important. Stories like his recent round-up of American and Canadian plant expansion in Australia, of Australia's production hopes, and of competition in the widening Far Eastern market, have increasing significance for management in the U. S.



At this writing, Leopold is at the site of the Eildon Weir dam. When completed, it will be the second largest earthen project in the world. Power from it will do much to increase Australia's productivity and competitive position in Pacific trading. It is business news in the making.

Leopold's complete enjoyment of the bucolic life he now leads, may be in direct contrast to the unpleasantness of his four years in concentration camps. He need not count sheep to lull him to sleep nights. He has them . . . more than he could ever count . . . on the lowlands below his home on a bluff overlooking famed Kilda Beach.

Paul Montgomery.
PUBLISHER

No. 13



Ten thousand of us burn to death each year ...in fires we could have prevented

LET'S strike straight at the heart of the fire loss problem! Let's design and construct our buildings, inside and out, firesafe to the limit of our technical knowledge. *Concrete can't burn!*

Whether you are interested in a small home, hospital, school, hotel, church, theater, apartment or business building, engineers and architects can design and construct it to be firesafe. *Concrete can't burn!*

Members of our technical staff will gladly discuss plans for firesafe buildings with your architects or engineers:

Last year's property loss from fire was \$561 million. More than half of the biggest individual fire losses last year, "were outstandingly the result of inferior building construction," says the National Fire Protection Association Quarterly for January, 1947.

PORTLAND CEMENT ASSOCIATION

Dept. A5b-12, 33 W. Grand Ave., Chicago 10, Illinois

A national organization to improve and extend the uses of concrete
... through scientific research and engineering field work

metics now that the boom is over will be those who understand its peculiarities, or hire management that does. The cosmetic business is primarily a matter of distribution. The retail price of a run-of-the-mill cosmetic item is roughly six times the manufacturer's cost. Spending the resultant wide margins shrewdly in advertising, promoting and selling makes the difference between profit and loss.

• **Hard-Learned**—Those who quit will have discovered a few principles that veterans in the business always knew.

(1) A trade name popular in some other field doesn't necessarily carry over into cosmetics. Many of the firms who got into cosmetics during the war were dress manufacturers who advertised merely by allotting cosmetics a corner in their apparel ads. When sales came easy this sufficed, but operating in normal times requires most intense advertising. Trade names in cosmetics probably have less permanence than those of other industries. Women must be resold constantly on something new to make them beautiful.

(2) Nor can a manufacturer of some other product usually employ his sales organization to sell cosmetics as well as even to the same outlets. Such a combination frequently runs afoul of the human element. The cosmetics buyer of a department store may be deeply prejudiced against letting the apparel buyer's success influence her choice of merchandise.

(3) Cosmetic distribution involves trade practices which make little sense to most other businesses. Examples are "push money" paid by manufacturers to retailers' clerks, and the highly controversial demonstrator system by which manufacturers promote their own line.

• **A Long-Range Diversification**—The peculiarities do not prevent the cosmetics industry from being a profitable long-range diversification for many non-related industries. The most successful of these, however, are usually firms which buy a going concern and leave its management in the hands of the executives who made it successful.

An outstanding example is Vici Chemical Co.'s acquisition of A. J. McKelvey Co. (Seaforth men's toiletries) and Prince Matchabelli, Inc. (BW—Nov. 2 '46, p. 78). Another is provided by Standard Oil Co. (N. J.) owner of Daggett & Ramsdell, which has lately broadened its cosmetic line and begun aggressive sales promotion (BW—Jan. 25 '47, p. 24). A third is Vaperte, Inc., manufacturer of metal cigarette cases and compacts, which owns The Herb Farm Shop, Ltd.

These and other firms are attracted to the cosmetics industry less by the high profits commonly attributed to it (and as commonly denied by those in it) than by its stability. The following

table of indexes shows that since 1929 retail cosmetic sales have fluctuated less than retail sales of food—usually considered a most stable line:

	Cosmetics (*)	Food (**)
1929	100.0	100.0
1932	76.2	66.5
1937	93.0	88.5
1938	96.7	86.7
1941	110.9	114.7
1944	144.4	173.1
1945	174.4	184.1
1946	184.9	222.5

* The Toilet Goods Assn., Inc.
** Dept. of Commerce.

The old saw, "You gotta eat," might well be amended to continue: "But you gotta look pretty." This kind of stability makes for sound diversification—for a company that knows what it's doing.

NEW ANTITRUST HEAD

John F. Sonnett, 35-year-old government attorney who successfully tried the injunction and contempt cases against John L. Lewis, is now to be pitted against Big Business. Sonnett's reputation as prosecutor in the mine workers' case would have enhanced a private practice; he acceded, however, to President

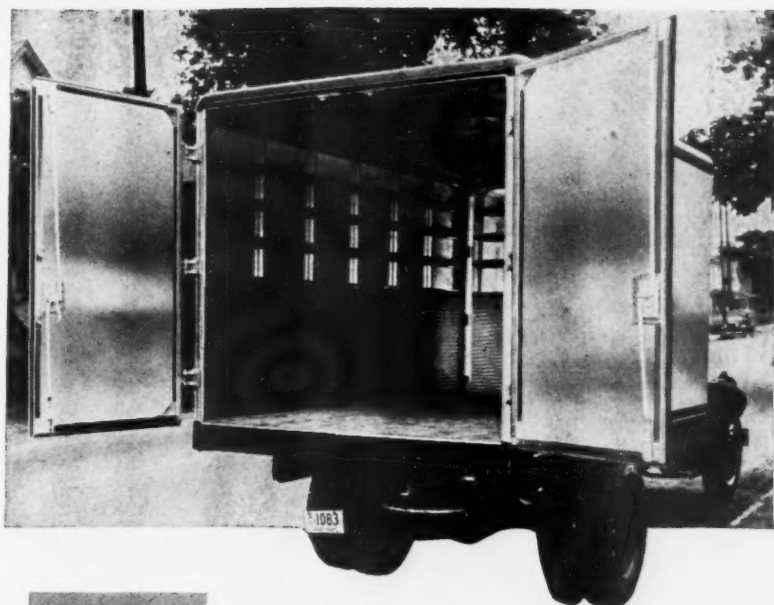


Top Trust-Buster: John F. Sonnett

Truman's request that he head the Justice Dept.'s Antitrust Division.

He succeeds Wendell Berge, who held the post since August, 1943, quit because of fears the job would "become a dead-end street" (BW—Feb. 22 '47, p. 6).

Recently Sonnett has been in charge of the Justice Dept.'s Claims Division.



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take your Choice!

READY FOR IMMEDIATE DELIVERY is a complete line of Reynolds Multiple-assembly aluminum truck bodies built just the way you want them from standard parts.

A Reynolds body distributor right in your locality has thousands of combinations of lengths, widths, doors, linings and insulations... can assemble the right one for you in a few days. Repairs can be made quickly, right on the spot, from standard parts. No costly layups.

Made of finest Reynolds Lifetime Aluminum alloys these sensational new truck bodies are only one third the weight of steel yet have comparable structural strength.

Great weight saving makes possible more payload... higher speeds... less wear on tires. Maintenance costs are cut because aluminum resists corrosion... requires no protective painting.

These aluminum van-type truck bodies, now in volume production, are just one of many new developments by Reynolds, the great new source of aluminum. Through its greatly expanded facilities and complete quality-control of every step of production, Reynolds is supplying aluminum today for a wide variety of new uses in industry and in the home. A few distributor territories for truck bodies are open. For further information write Reynolds Metals Co., 1419A Dixie Highway, Louisville 1, Ky.

3 BODY MODELS



straight side body (RTBS)



modified wheel-wall body (RTBM)



deep wheel-wall body (RTBD)

8 INTERIOR LININGS



full-slatted



half-slatted,
half-corrugated



full corrugated
and/or insulated
and five more
types—

15 BACK-DOOR COMBINATIONS



full doors



half doors
& tail gate



accordion gate

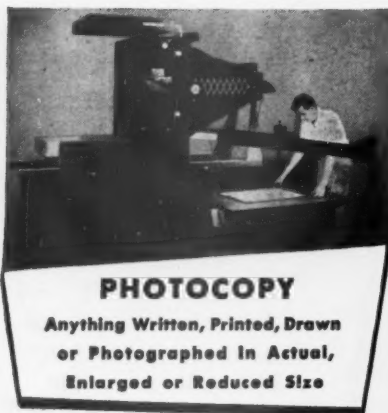


accordion gate
& tail gate
and 11 other combinations



REYNOLDS ALUMINUM TRUCK AND TRAILER BODIES

1842-B



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BRANCH OFFICES IN PRINCIPAL CITIES

Speed Sweep WITH A BACK OF STEEL



Makes Light Work Out of Tough Sweeping Jobs

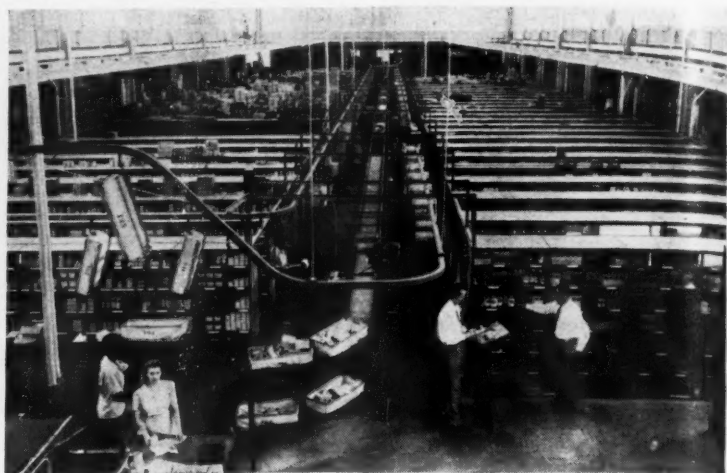
Steel back of Speed Sweep brushes is the basis of unique construction for faster, easier, better sweeping. Block is $\frac{1}{2}$ usual size—easier to handle. Tufts of longer, better fibres are more compact—provide "spring and snap" action. Handle instantly adjustable to height of sweeper—reduces fatigue and strain. Speed Sweep brushes are built to outlast ordinary brushes 3 to 1.

FULLY GUARANTEED

Speed Sweep brushes have proved their superiority in many thousands of factories under varied conditions. They are unconditionally guaranteed to meet your requirements. Write for styles, sizes, and prices today.



To Drug Market via Assembly Line



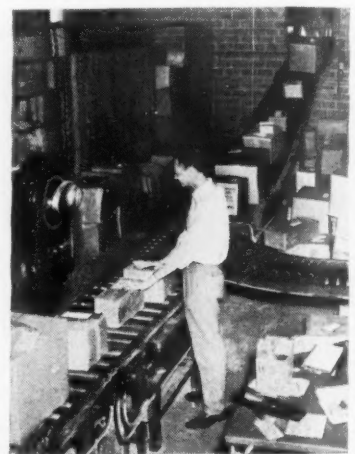
"No back-tracking" might be the motto for McKesson & Robbins' forward-looking warehouse building—a new departure for the drug industry. Two thousand guests will be welcomed to its gala opening in Houston May 14.

In designing the \$750,000 structure, the drug company follows the trend of applying industrial techniques to distribution. Mainspring of activity in the 95,000-sq.-ft. drug and liquor warehouse is a 1,000-ft. conveyor system (above). The belt is a double-decker—the bottom deck for the routine order-filling line, the top deck for special orders.

The goods enter from the rear of the plant, go out the front. The belt moves articles down the center of the warehouse with a minimum of handling, a maximum of efficiency. On its way out, the belt passes big Toledo scales (right), where packages are weighed. An overhead

chain conveyor handles the "empties."

Credited with the idea for the assembly-line warehouse is Ralph T. Thompson, manager of the Houston plant.



THEATER STAYS LIGHTED

What can you do with a movie house during off hours? Irving M. Levin, San Francisco theater operator, thinks he's hit on a solution: He's leasing his Vogue Theater, a small neighborhood house, during such periods for showing industrial, educational, promotional, and advertising features.

Levin got the idea when a San Francisco wine company asked to use the house to show one of its promotional films. Now it's a regular business. From 8 a.m. to 5 p.m. it's the Vogue Business Theater. After that, the screen reverts to the embraces of Ingrid Bergman and Gary Cooper.

At a time when theater operators have

their eyes cast on drooping box office receipts (BW—Mar. 15 '47, p. 22), the idea means an extra source of revenue to Levin. For his customers, it means they can drape their films in professional trappings.

To adapt the theater to its new role, the theater installed 16-mm. sound equipment in the sound booth of the theater right alongside its standard-gauge 35-mm. projector.

For a uniform fee, the Vogue provides everything but the film and the audience—projectionist, ushers, doorman whatever else is needed for a professional presentation. Advantages of comfortable seating, theatrical acoustics, and soundproof projection booth carry weight with customers.



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Address your inquiry about REVOLITE to: Zapon-Keratol Division, Atlas Powder Company, Stamford, Conn.



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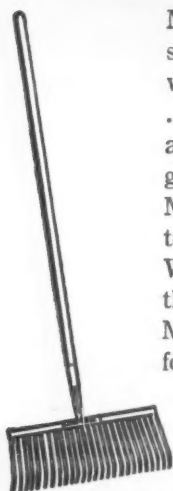
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Movie Jitters

Foreign business, which provides Hollywood's margin of profit, is slipping away. So is domestic revenue. Costs mount.

Hollywood movie makers' profits are as temperamental as some of their stars. As in other businesses with heavy overhead costs—steel, autos, etc.—the movies' profits are sensitive to relatively small changes in total sales.

• **Crucial Dollars**—But Hollywood is unlike these other industries in an important way: Much of its margin of profit comes from foreign trade (BW—May 11'46, p. 58) and today the home market is falling off from wartime levels, while the cost structure is more inflated than ever. Dollars from the foreign market are crucial if the industry is to continue to show profits.

Thus it was not chance that founder Eric Johnston, president of the Motion Picture Assn. of America, Inc., in Washington testifying before the House Ways & Means Committee. His theme: Expand world trade.

Johnston, a past president of the U. S. Chamber of Commerce, talked generally on American capitalism's need to prevent a recession. But the producers he represents were concentrating on the fact, he said, that American movies netted about \$125 million from abroad last year. Producers shudder when they recall that this total is almost identical with over-all profits for the same period.

• **Reluctance**—Now Hollywood's alarm has been increased by a reluctance of foreign countries to go on taking its product. Most countries are so short of dollars that they are being forced to cut down on imports from the U. S. and one of the first places to cut down is on so-called nonessentials (BW—May 3'47, p. 9). For instance:

Belgium may demand that all prints and sound dubbing of American films be made there. Import duties on all films may be raised.

Brazil's new ceiling on film admissions in Rio is cutting amounts paid on contracts.

Cuba is considering further taxes on film remittances to the U. S.

Great Britain is still weighing drastic quota legislation against U. S. films.

Greece is issuing no further film import licenses.

Italy still refuses to permit sending of film remittances to U. S.

Mexico is toying with a law to compel cinemas to devote 50% of playing time to domestic films.

Portugal has just instituted heavy new taxes against foreign films.

Who hid the skeletons in Botticelli's closet?



Two skeletons came to light recently when a famous painting was cleaned by the Metropolitan Museum of Art. When Botticelli painted his *Three Miracles of St. Zenobius* in the fifteenth century, the skeletons were conspicuous parts of the central scene. But before the Metropolitan acquired the picture 35 years ago, someone painted over the skeletons and hid them from the eyes of the world.

To disinter Botticelli's bones, museum experts used infrared photographs, X-rays, microscopes, scalpels, and chemical solvents. Acetone and methyl and ethyl alcohol were among the solvents that dissolved the varnish and other resinous substances. They are helpful chemical tools in the delicate work of preserving and restoring art treasures.

CSC acetone and other solvents work for industry on a far larger scale than rescuing skeletons from museum closets. They are of great importance in the mass production of plastics, synthetic fibers, paints, and photographic film. Commercial Solvents serves industry, medicine, and agriculture with more than two hundred fine chemical products.

Courtesy of The Metropolitan Museum of Art



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FINANCE (THE MARKETS—PAGE 106)

Rocky Road for a Newcomer

Kaiser-Frazer lost nearly \$20 million last year, due largely to heavy expenses for tooling up, assuring flow of supplies. But company thinks bottlenecks are broken, looks to capacity output.

Even during a red hot seller's market, the automobile manufacturing business is no cinch for a newcomer. It takes cash aplenty before actual production gets started. And the competition—for manpower and materials, if nothing else—is tough, relentless.

If anybody has any doubts about that, he can take a look at the 1946 annual report just distributed by the Kaiser-Frazer Corp.

• **Operating Loss**—According to it, K-F. wound up with a \$19,379,000 operating loss after manufacturing expenses incurred prior to production were charged off to earnings.

Here's the over-all financial picture disclosed at the 1946 year-end: current assets of \$25,696,000, which included \$13,486,000 of inventories, \$2,747,000 due from vendors, and \$7,226,000 of

cash; fixed assets totaling \$19,825,000 (after depreciation); current liabilities of \$13,879,000, including \$10,565,000 accounts payable.

The 1946 loss, plus 1945 organizational expenses, meant that more than \$20,000,000 of the \$54,446,273.77 the company got through its two stock offerings in 1945 and 1946 (BW—Feb. 24, p. 70) was used up by end of last year. Cash resources were down to the point where it was necessary to obtain a \$12-million loan in early 1947 from San Francisco's Bank of America.

• **Costly Start**—Why has some 37% of K-F.'s original capital been gobbled up so soon? Mainly by these costly items:

- Product design and development.
- Tools and facilities for the assembly lines.

• Pipelines to assure a smooth flow of



DETERMINING THE FUTURES OF RUBBER

Crude rubber futures changed hands last week on New York's Commodity Exchange for the first time since Dec. 13, 1941. Congress ended the government control over rubber as of Apr. 1 (BW—Apr. 12 '47, p. 20). On May 1, the rubber ring reopened, and traders negotiated future deliveries of 1,420 long tons. Business could have been brisker, however. None of the crude bought will be delivered before September at the earliest.

YES—This is a Coal Mine Town!



IF YOU DROVE through this clean, neat little community, you might never think it was a coal mine town. For the comfort and convenience of these modern homes contradict things you've heard about how coal miners live.

Not every "coal town," of course, can boast homes like these. But they do illustrate how coal operators and miners, in increasing numbers, are meeting the problems of housing, sanitation, recreation, and other aspects of community living.

Today, about two-thirds—over 260,000—of the nation's Bituminous Coal miners own their own homes or rent from private landlords. The remaining one-third live in company-owned houses—at rentals below those ordinarily available to workers in other industries.

Home-ownership among coal miners is increasing—due in no small measure to encouragement and financial aid from mine owners who realize that a man becomes a better worker and a better citizen as he develops pride in "a home of his own."

MODERN WORKING CONDITIONS have also come a long way—thanks to the mechanization program sponsored by the country's progressive coal operators. Nowadays, more than 90% of all Bituminous Coal mined underground is mechanically cut. More than 50% is mechanically loaded. Only about 5% is mined by pick and shovel! As a result, America's Bituminous Coal mines are the most productive in the world, pay the best wages, and are being operated with greater safety than ever before. Between 1924 and 1946, fatalities per million tons declined 62%.

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Words bring action quicker with the sleek-styled BELfone "Maestro" Intercom. Keeps you in immediate voice-contact with key personnel. BELfone saves time because its war-developed, miniature electronic tubes react instantly to fingertip Belswitch controls. The brown Durez plastic cabinet—12" long, 6½" high, 5¾" deep—takes little desk space. New flexibility makes it easy and economical to install more call stations at any time. Ask for details on BELfone 440 Series.



the more than 15,000 parts that go into an automobile.

• **Manufacturing and sales staffs.**

• **Accomplishments**—What have been K-F's results after expenditures of such important sums? Here are the accomplishments:

• **Actual production** at the Willow Run plant (leased from the government) since July, 1946, or eight months after the company took possession of the property.

• **Production** of 38,531 cars up to Apr. 30; output in April alone of 7,846 cars, a new monthly peak. (New schedules call for the manufacture of 10,000 units in May, 12,000 in June.)

• **Completion** of arrangements with 680 manufacturers for materials and supplies.

• **Fair assurance** that bottlenecks in tools and parts, steel, castings, and engines have finally been broken.

• **Building and training** of a 9,000-man manufacturing staff.

• **Organization** of a sales force of 136 distributors and 3,900 dealers (including the domestic market and 150 foreign sales areas).

• **Childhood ills**—All the ills that beset the automobile industry in 1946 hit K-F., too. Additionally, K-F. suffered a special affliction of its own: Being a newcomer, it had no priority with tool and die suppliers. Old established auto makers got preference; K-F.'s demands long went unsatisfied.

Finally, K-F. had to design and build much of the new equipment it needed. It also had to ferret out new suppliers. Often this involved financing the tooling of their plants to assure a continuous and speedy flow of parts. More than that: K-F. sometimes had to help the new suppliers get raw materials. But K-F. claims the results of these wearisome efforts have proved to be most satisfactory.

• **Steel Troubles**—A particularly hard nut to crack was steel. This one, too, succumbed when K-F. acquired a 15% stock interest in the Portsmouth Steel Corp. for \$2 million. Pig iron shortages were solved by leasing a blast furnace.

Another back-breaker was engine requirements. Continental Motors Corp. was expected to furnish 42,000 in 1946. It delivered less than 12,000. Until very recently, engine shortages often caused a complete shutdown of operations.

• **More Engines**—To solve this problem, K-F. leased a substantial portion of Continental's Detroit plant, and started making engines on its own (BW-Mar. 1 '47, p35). Therewith the engine situation improved. In March, K-F. produced 5,294 units, 28% above its receipts in February. Furthermore, Continental agreed to augment this production with 4,500 units monthly. K-F. now believes there won't be any more engine trouble to cope with.

Smashing all these bottlenecks took time and money. Equipping Willow Run and the Long Beach (Calif.) assembly unit required cash expenditures of over \$20,000,000 by the end of 1946. And an additional \$6,500,000 was earmarked for machinery, etc.

• **Merger**—Originally K-F. planned to operate Willow Run jointly with Graham-Paige Motors Corp. It soon became evident, however, that the latter was unable to stand one-third of the plant equipment costs. It became apparent, too, that economies might result if G-P was absorbed by K-F. (BW-Dec. 21 '47, p17). In early 1947 a merger was effected.

The cost to K-F. for virtually all the G-P. property was 750,000 shares of K-F. stock, plus assumption of \$8,524,000 outstanding 4% Graham-Paige debentures (due in 1956). In return K-F. acquired \$3,000,000 additional working capital, \$6,000,000 in fixed assets, and \$1,400,000 in other assets (principally long-term Graham-Paige notes).

• **Profits—When?**—When K-F. will be able to report operating profits is no subject for flat predictions. On this point K-F. merely tells its stockholders: "Profits cannot be realized until the factory has achieved volume production and sales." And the annual report made no mention of a possible price cut on the company's cars.

Under these circumstances, Bank of America secured its \$12-million, 3% loan to K-F. thus:

(1) Requiring K-F. to pledge certain assets including some special tools, jigs, dies, and fixtures.

(2) Stipulating that the loan be guaranteed by the Kaiser interests and K-F. President Joseph W. Frazer.

(3) Asking that the debt be paid off



A president, J. R. Coulter. . .

the rate of 3% monthly starting next
October.
(4) Requiring that Kaiser-Frazer's
current assets must not fall below
\$10 million while the loan is out-
standing.

Stock Drops—Meantime, K-F. shares
have been selling in the neighbor-
hood of \$6 on the New York Curb Ex-
change. For whatever it may be worth,
this figure contrasts with the \$10 and
above at which shares were heavily
subscribed soon after K-F. was or-
ganized.

As the nation watches K-F. battle
for a foothold in motordom,
spectators can look on with equa-
nimity. They are the underwriting
firms that handled K-F.'s two public
stock offerings. For that chore they have
pocketed a cool \$3,850,000 in
commissions.

TWO RAILROAD SHIFTS

Two western roads announced presi-
dential changes last week.

Toledo, Peoria & Western R. R.
picked as president J. Russel Coulter,
chief traffic officer of the St. Louis-San
Francisco Ry. (Frisco Lines). Coulter,
who is also vice-president of the Frisco
Lines of Texas and of Frisco Transporta-
tion Co., fills the T. P. & W. job of
George P. McNear, who was slain from
an ambush in March of this year. (BW-
Mar. 22 '47, p. 97).

H. A. Scandrett, 71-year-old president
of the Chicago, Milwaukee, St. Paul &
Pacific R. R. (the Milwaukee Road), an-
nounced his determination to retire.
Coulter is to take his job is Charles H.
Buford, who is now the road's executive
vice-president and who was a former
vice-president of the Assn. of Ameri-
can Railroads.



... and a prospect, C. H. Buford

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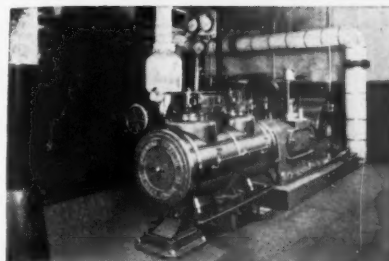
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effecting equally important savings in
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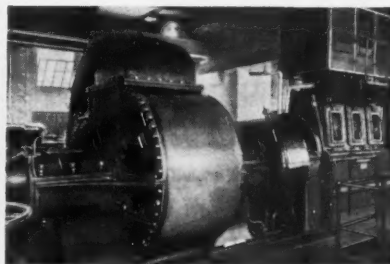
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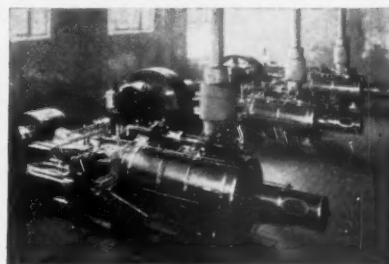
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Preferred Stock—\$3.50 Series
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Price \$102 a Share
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April 29, 1947.

Solvency Problem

Cotton Belt railroad
dismissal of bankruptcy, says
has enough cash to pay debts
But ICC prescribes the wringer

Many a railroad has poked its head above the icy waters of bankruptcy in recent years. And always the path by which the roads moved from protection to solvency was the same. There was a drastic reorganization of financial structure.

• **New Pattern?**—Now there's a chance that this precedent may be upset. The long-insolvent St. Louis Southwestern Ry. (better known as the Cotton Belt) soon may operate on its own again without going through the wringer.

The Cotton Belt, adjudged bankrupt over eleven years ago, apparently has enough funds now to wipe out mature liabilities, both principal and interest. It claims that even after such debts have been settled there will be enough financial strength to assure payment of all other obligations as they come due.

That's the gist of a report just made to the U. S. District Court in St. Louis by Berryman Henwood, Cotton Belt trustee in bankruptcy.

• **Confidence**—But that's not all Henwood had to say. He showed his confidence in the Cotton Belt in even more concrete fashion. Last week he joined the road in petitioning the court for dismissal of pending bankruptcy proceedings.

If this petition is approved by Judge George H. Moore it will mean the end of the Cotton Belt's trusteeship without any change in the present interest of stockholders. That would indeed be something unusual. For in other recent rail settlements, old stockholders have found their holdings erased completely. Bondholders and other creditors also had to make sacrifices in many cases.

• **Problem**—But whether the Cotton Belt can get around the Interstate Commerce Commission's drastic reorganization proposals is something else again. Some believe it may. Others aren't sure. The latter point out that an attempt to reach this goal failed only recently.

In March the Supreme Court denied a review of lower court decisions approving the ICC plan for readjusting the system's financial structure. The appeal had been brought by certain stockholders and the company itself. Their plea: Finances had improved so much that the road had regained solvency.

• **Financial Status**—To many observers the road's present financial status seems

ble warrant Henwood's optimism. Cash resources of the Cotton Belt had climbed to about \$22,600,000 by the end of 1945. By next June 30, according to Henwood, almost \$27,100,000 would be available. Obligations (both principal and interest) that must be paid to wipe out all defaults will come to \$18,300,000. Almost \$8,800,000 cash would be left after all such debts were paid. That looks like a hefty "free" surplus, since Cotton Belt's annual fixed charges total only \$3,000,000.

The Cotton Belt system now has over 1,600 miles of road. It extends through the important rail traffic gateways at St. Louis, Cairo, Ill., and Memphis, Dallas and Fort Worth.

Popac Steps In—In the early 1920's control of the road was acquired by the Rock Island system. This move, however, didn't sit well with the St. Louis and San Francisco Ry., southwestern rival of both lines. Soon the ICC frowned on the alliance too. Control then went to the Kansas City Southern Ry. Thereafter, in 1929, an attempt to merge the latter, the Cotton Belt, and the Missouri-Kansas-Texas into a new southwestern rail giant. When that blew up



**CAME TO MAINE FOR 6 MONTHS
... STAYED AND WORKED HERE**

**TWENTY
EIGHT
YEARS**



"Twenty-eight years ago, I came down to Maine from Canada. Meant to stay six months. Took a job as a Goodyear stitcher. Liked it so well that I'm still at it.

"Not only that, but my wife, son and granddaughter all work in the same plant. We all like the company, the people and the work we do. Only time any of us wasn't on the job was when my boy was in the U. S. Air Corps.

"For a Maine man, working isn't enough. I keep in trim after hours with my hobbies. I have a garden and I raise chickens. Like to do scout work too. I'm chairman of the Boy Scout Troop Committee. Also, I'm a trustee and member of the official board of my church.

"I'm a man who likes honesty and loyalty. That's what I like about the fellows I work with. I like a well-made product. That's what I like about the job I do. And I like square shooters. That's why I'm still with the company after twenty-eight years."

Frank A. Clarke

What Mr. Clarke says—and the type of man Mr. Clarke is—merit the consideration of industrialists who are considering new locations for their plants. Mr. Clarke is Maine.

Maine advantages include fair taxes; easy access to the nation's largest markets, both for industrial products and consumer goods; good production weather all year round; power at nominal cost, available everywhere; pure processing water—and living in "America's Vacationland."

It would pay to investigate the industrial possibilities of Maine, if you are thinking of moving, expanding or decentralizing. Send for free booklet, "Industrial Maine".

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THE PLACE TO WORK,
TO LIVE AND PLAY
INDUSTRY**

MAINE DEVELOPMENT COMMISSION, STATE HOUSE, AUGUSTA, MAINE

UNDRESSING NICKELS



Mixing cement? No, just emptying paper coin-wrappers. Federal Reserve Banks don't accept coins in paper wrappers, so banks have to empty the contents of the wrappers into bags before deposit. Because emptying by hand is a long, tedious job, teller Bill Ream (above) of Security-First National Bank, Los Angeles, suggested using a cement mixer.

The mixer does the job five times as fast, ejects the empty wrappers by means of a special blower.

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the Southern Pacific stepped in. 15 years it has controlled the Cotton Belt through ownership of some of its outstanding capital stock.

Much of Cotton Belt's traffic is of bridge-line type. During the year as little as one-third of the Cotton Belt's freight traffic originated on its own lines.

• **Interchange**—Most important freight interchange arrangement is with Sopac. Despite agreements which require delivery of much Southern Pacific traffic to the Rock Island and Texas Pacific systems, the parent has been turning over a substantial volume to Cotton Belt.

That gets two birds with one stone. Bird No. 1: It helps the Cotton Belt. Bird No. 2: Sopac has a longer haul on its own lines via a Sopac-Cotton Belt combination than on a Sopac-Rock Island or Sopac-T. & P. interchange.

• **Sharp Upturn**—During the early depression, Cotton Belt had a sharper revenue drop than the average southern carrier. Since 1934, however, its revenues have increased more rapidly than those of its regional rivals or of C. & O. roads generally.

Especially phenomenal was the rise in 1940-46 showing. Earnings over seven years came to \$34,200,000. Annual profits on common stock ranged as high as \$41.45 a share. Even in 1947, a pretty sad year for many carriers, share profits were \$21.36.

• **Sopac Will Stay**—Even if it is ultimately decided that the road must go through the wringer to regain legal competency, there's no danger that Southern Pacific will lose working control. Sopac has a large claim against it as a creditor. Under the ICC reorganization proposals, this would be paid off with \$4,350,000 of new bonds, plus 38.5% and 55.2% of the road's new preferred and common stock issues, respectively. The two classes would have equal voting rights.

RAIL MERGER STALLED

This week the Interstate Commerce Commission suddenly postponed its further notice its Apr. 1 order approving the Chesapeake & Ohio-Pere Marquette rail merger. That consolidation job thus may not prove quite as quick nor as easy, a task as had been expected (BW—Jan. 18'47, p78).

ICC said its surprise action was taken to permit "further consideration of the record . . . and of the petitions in behalf of the holders of preferred stock and common stock of Pere Marquette Ry. Co. for rehearings."

Several groups of dissenting holders of Pere Marquette preferred have filed petitions with ICC asserting that the Apr. 1 approval order had abused the rights.

LABOR

Outlook for Merger Dims

Though both A.F.L. and C.I.O. want unity, their terms are far apart that only drastic threat to their existence could bring them together. Likelihood of veto of labor law removes that threat.

Organic unity of A.F.L. and C.I.O. is no closer than the enactment of a drastic labor-control law. That is the general conclusion of the participants at the first labor merger conferences to be held since 1939.

Incentive—When, after two sessions, drawer representatives of A.F.L. and C.I.O. adjourned their discussions last week end, it was evident that the incentive which had brought them together had already lost much of its force.

That incentive was the threat of a stringent law following the lines of either the House's Hartley bill or the Senate's Taft bill. Such a statute would have put both labor groups in the same boat, embarked on a very rough

Conditions Changed—The prospect induced A.F.L. to extend an invitation to its rival to work out the basis for a single labor movement. But the time which elapsed between the invitation and the meeting—the C.I.O. people were busy negotiating wage agreements in their industries—labor changed its appraisal of the legislative outlook. Now banks on a Truman veto being maintained by the failure of Senator Taft to muster a two-third vote to override

the rejection of his bill (BW—May 3 '47, p5).

Thus the immediate threat to union interests is assumed to be removed and the need for a quick merger is not insistent.

It will take a shotgun wedding to get A.F.L. and C.I.O. together. Under any condition short of dire adversity, both groups will go their separate ways content to fight their separate battles with their own resources. Their common enemies are less menacing than the enemies they face individually. Federal labor legislation making no distinction between A.F.L. and C.I.O. would change all that. Not much less than that would.

• **A.F.L.'s Terms**—A.F.L. wants a merger that would bring C.I.O. into the federation. It offers the industrial unions full representation rights at the A.F.L. convention; but it does not undertake to guarantee the integrity of the C.I.O. organizations. It says to C.I.O., in effect: "Come in with us, and we'll all take our chances on what a joint convention will do about overlapping jurisdictions and points of conflict."

• **C.I.O.'s Terms**—C.I.O. also wants a merger, but on different terms. It ac-



Report on unity: no progress. Conference (left to right): William Green (A.F.L.), Philip Murray (C.I.O.), teamsters' Daniel Tobin, coal's John L. Lewis.



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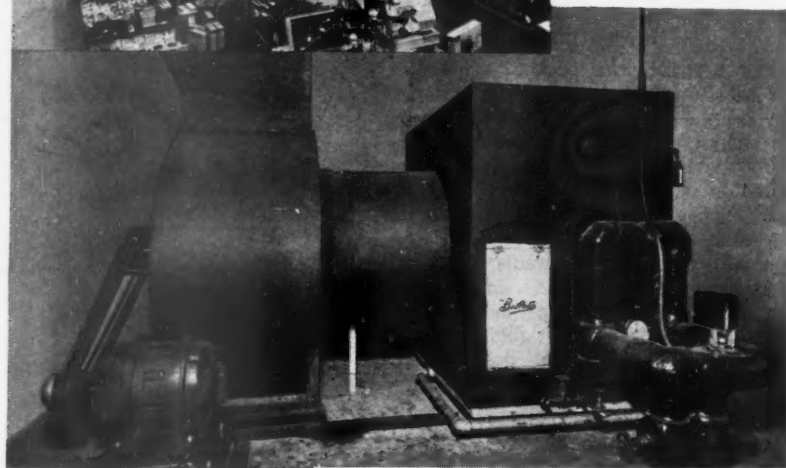
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knowledge A.F.L.'s numerical superiority, therefore is unwilling to take the fate of its constituent unions to a simple joint majority vote. It is stated that, unless it has an ironclad guarantee that each C.I.O. organization will be permitted to continue intact, the organizations will be carved up between the A.F.L. crafts.

Hence the merger C.I.O. would rest on an agreement that the autonomous rights of the existing international unions shall be fully respected within a framework of the principles of the new national organization." When C.I.O. insisted on putting the unity talks on this basis they deadlocked. A.F.L. does not feel that things are yet so tough that it must swallow what may prove to be for the federation the indigestible morsel of an untouchable industrial union movement.

Hawaiian Standoff

C.I.O.-P.A.C. last year helped elect 15 members of territory's 30-man lower house. Result: no controversial laws.

The general shellacking administered at the polls last November to the C.I.O.'s Political Action Committee (BW—Nov. 23 '46, p. 90) obscured one important P.A.C. triumph.

In Hawaii C.I.O.'s political wing, in its first big sortie there, backed 15 winners in the election for the 30-member lower house of the territory's legislature. The gains have enabled P.A.C. to block the passage of any legislation it opposes.

Hawaiian businessmen get left-wing jitters when they contemplate the results of last year's P.A.C. victory. They are even more concerned when they cast their gaze ahead a few years to future elections. Mass unionism in the islands is still in its infancy (P.A.C. cut its teeth in Hawaii in 1944, unspectacularly). If it continues to grow, it will pack a terrific wallop, political as well as economic.

• **Policy Succeeds**—Nowhere else has P.A.C.'s policy of working within the framework of an existing political party paid such rich dividends. The vehicle chosen by P.A.C. in this rock-ribbed Republican paradise of the Pacific was the impotent Democratic Party. The Democrats have been willing to accept the crumbs from the Republican table ever since the islands became a territory in 1900.

Today the Democratic Party in Hawaii is only a front. The rear echelons of the party take their inspiration, direction, and dynamism from the Pol-



Alice Sees a New Wonderland

IT'S a wonderland of industrial opportunity where new factories are springing up like magic . . . where all industry is thriving and expanding . . . where everything delights the heart of an industrialist . . . where the future beckons invitingly.

Is there really such a Wonderland?

Just "take a peek" almost anywhere along

the 8,000 miles of the Southern Railway System that "Serves the South."

Like Alice, you'll discover a new Wonderland . . . a *real* industrial wonderland that offers greater opportunity and a better, brighter future for *your* business.

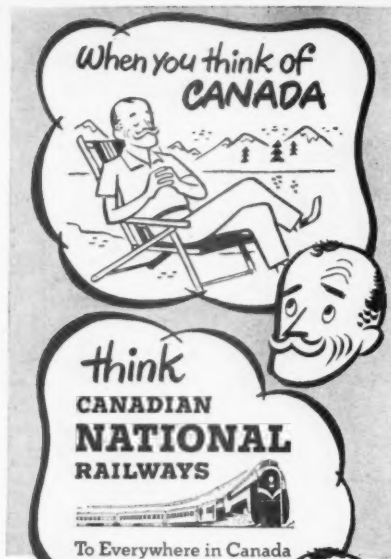
"Look Ahead—Look South!"

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President




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Bass or business . . . caribou or crops . . . ask Canadian National Railways *anything* about Canada. Visit the Canadian National office listed in your phone book . . . or write Canadian National Railways, 360 McGill Street, Montreal, Canada.

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BUSINESS MARKER from findings of merchandise group:

"Buyers are aware that highest quality of product was tempered by unavailability of proper materials"

With proper materials available it is now important to assure buyers of commercially practicable products.

This is being done by many groups of manufacturers who set up specifications, retaining ETL as the independent agency to certify compliance. They find it enhances purchaser confidence. Booklet on the procedure is available.

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ical Action Committee, not from the anti-P.A.C. Democratic leaders.

• **Harry Bridges**—In Hawaii, as elsewhere, P.A.C. is the political alter ego of C.I.O. And C.I.O., in the islands, means the politically sensitive, hard-hit-

ting, left-wing union of Pacific Coast waterfront workers, Harry Bridges' International Longshoremen's & Warehousemen's Union. P.A.C. and I.L.W.U. share both the offices and the brains of Bridges' territorial deputy

THE LABOR ANGLE

Paternalism

For a good many years "paternalism" has been a dirty word in labor relations. The unions made it a dirty word. The employer who operated a welfare program or who sponsored recreational, cultural, or social activities for his employees was charged with an attempt to disguise his despotism with a little benevolence.

Many employers were disturbed and angered by such accusations. Some experienced the feelings of a parent whose child has shown ingratitude. Among employers who had installed welfare policies because they were socially minded, and among those who frankly acknowledged that such programs were an investment designed to bring returns in employee goodwill and loyalty, there was a general retreat from such activities.

By the late 30's this kind of paternalism had almost disappeared from American industry. So effectively had the unions discredited these programs that, even among personnel men, they were considered, if not dangerous, hopelessly old-fashioned at best.

Revival

Events have proved, however, that those things which paternalism provides do have some effect upon employee goodwill and loyalty. Paternalism has returned. In its current form it is more intensive than it ever was before. But today's paternalism has one very significant difference from the paternalism of the past. It is practiced by unions and not by employers.

The unions, particularly those "advanced" organizations attached to the C.I.O. left-wing, have adopted many of those policies which employers abandoned a decade ago. And they have added many more which employers either never thought of, or were reluctant to adopt.

The paternalistic unions acknowledge by their actions that members can be influenced to greater organizational loyalty by having their

union provide them with more than just a collective bargaining service.

Program

A typical example of what these unions are doing is provided by Local 65 of the United Retail, Wholesale & Department Store Employees (C.I.O.). Here are some of the things which Local 65 offers its more than 10,000 members.

(1) Free chest X-ray checkups at the union hall for members and their families.

(2) A buying service through which union members can purchase, at a discount, household goods such as electric irons, radios, phonograph records (BW—Nov. 16'46, p54).

(3) A lending library and book-sales service, at discount rates.

(4) A theater-ticket buying service which is especially active in promoting attendance at plays which have an ideological slant that the union approves.

(5) A family newspaper with health hints, gossip columns, sports news, veterans departments, motion-picture reviews.

(6) Art classes and special training courses in the fields of hobbies popular among members.

(7) Musical training for members and their families.

(8) Dance classes for members' children.

(9) An educational program: courses in economics, labor history, public speaking, and other fields related to unionism.

(10) Use of a photographic dark room.

The union also has recreational facilities for its members in its hall, including a stage for amateur theatricals, ping-pong and card tables, a juke box for dancing, a bar and sandwich counter operated on a non-profit basis, and an ample lounge. It has seasonal sports programs and competitions. In addition, there are a host of special services such as free income tax counseling. The grand total makes a higher level of paternalism than any employer has ever ventured to attempt.

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● *Extra thousands of miles of trouble-free hauling—with fewer costly delays . . . more revenue loads . . .*

That's what the craftsman above is creating for the fleet operator whose trucks will roll on tough Kelly Tires!

In this picture, a special rubber compound is being applied to rayon cord. Just one among hundreds of carefully supervised operations which help make Kelly truck tires *tougher, cooler-running, safer.*

Throughout the Kelly plant, the latest machinery is teamed with 53 years of tire-building experience to build the *best Kelly yet.*

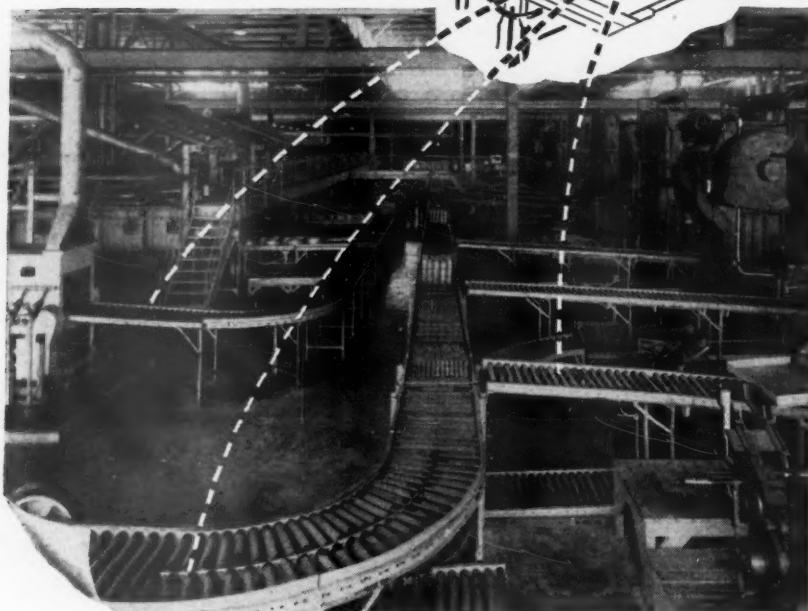
Match the new Kelly against *any* other tire. You'll see for yourself why it's known as "the trucker's tire."

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EVERY manufacturer in striving to improve his production performance must deal with more or less difficult material handling problems. These are not always quickly solved, and require careful thought by plant and conveyer engineers working together. Experienced plant engineers agree that the use of Mathews methods and Mathews equipment means greater efficiency in material-handling. That is why Mathews Engineers are usually called in on conveying problems which require special attention. The continuous flow methods which they develop are helping manufacturers to keep worker fatigue at a minimum and to maintain a supply of materials moving through processing, storage and shipping, without re-handling or confusion.



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young, shrewd Jack Hall, himself a former seaman and stevedore.

The Hawaiian economy rests on the props—sugar, pineapples, and shipping. Jack Hall has organized the employment of all three industries. He started the waterfront before the war, afterwards moved inland to the fields, canneries and sugar mills.

• **Militance**—In Hawaii's population of 502,000 (among whom are 103,000 voters), Hall claims an I.L.W.U. membership of 40,000. He proved the importance of his membership last year tying up the sugar industry for 79 days. And now he is shaping his plans for the pineapple strike in June, when the bulk of the crop begins to ripen and the fruit must be either picked or lost.

Last fall, while he was prosecuting the strike of 28,000 sugar plantations and mill workers, Hall planned, organized, and directed P.A.C.'s political campaign. Undaunted by a snub from Democratic leaders, he dispensed P.A.C. endorsements with a generous hand. As he hammered home to his sugar strike pineapple workers, and stevedores the importance of (1) going to the polls and (2) electing the right people.

• **Proof**—The election box score attests the potency of his campaign: Of the representatives elected to the lower house of the legislature, 15 were Republicans, 15 were Democrats. As Hall was riding on 15 winners—14 Democrats (including four I.L.W.U. officials) and one Republican.

The fact that some of the winners, such as Manuel G. Paschoal, Republican, dean of the lower house—would have come through without P.A.C. endorsement did not dim the luster of Hall's triumph. When the 15 Democrats caucused last February, they publicly repudiated the established Democratic leadership. Thereafter they reported the progress of their discussions to Hall. And when the Republicans sought to organize the House, the Democrats precipitated a 15-15 deadlock that left the assembly inert for three weeks.

• **50-50 Compromise**—Ultimately of the P.A.C. Democrats yielded enough to break the deadlock, and Paschoal was elected speaker. But it was a compromise straight down the middle.

For the first time in 46 years the Democrats shook off the minority. They got half the committee chairmanships (including Judiciary, which considers all labor measures) and half the committee memberships. Republicans still control the Senate, but they are hamstrung by the standoff in the House.

• **Status Quo**—Although the equal distribution of strength in the House made it impossible for either side to push a partisan legislative program, it has had some advantages for both parties. The P.A.C. stands ready to block any incipient labor controls. And the



SAFE!

O the cheering spectators, this play required great daring. Actually, careful planning combined with teamwork, split-second timing and individual skill had eliminated much of the risk before the play started.

Successful companies, as well as successful ball teams, minimize their risk through careful planning far in advance.

Many far sighted executives keep their plants on an efficient basis, maintaining production without additional investment in plants, machines, and keeping capital out by turning to contract manu-

facturing, as practiced by Hupp. The Hupp Plan for Industrial Stability is a practical working plan for long range stabilizing of industrial production through adaption to changing markets or individual company needs.

Hupp supplies its customers through its Detroit and Cleveland plants with adjustable, dependable service in the form of machining, stamping, rolling, welding, painting and assembly, on a mass production, competitive cost basis.

Amgears, Inc., Chicago, Hupp's wholly owned subsidiary, manufactures precision and production gears and Amtec gear tools.

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IN A SERIES OF ADVERTISEMENTS PRESENTING THE HUPP PLAN FOR INDUSTRIAL STABILITY

HE'S IN THE ACT OF

Saving Money!



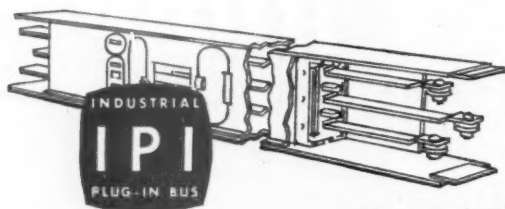
This man is reaching overhead to **plug-in** additional production machinery to the electrical distribution system. Below him all the other machines in the line continue running. Because his plant has N.E. Industrial **Plug-In** Bus, motorized equipment can be added or removed any time without shutting down the production line! The Plug-In device he is holding was connected to the machine before being brought into position.

Besides permitting production to roll ahead while this man changes equipment, *IPI Bus*

saves money in other ways:

1. Eliminates the necessity of distribution switchboards.
2. Every foot of the distribution system is usable—machines can be plugged in anywhere along the busway.
3. It is self-contained and 100% salvageable.

Let us assist you in determining how this efficient distribution system can best be installed to meet your requirements. Call our nearest sales office, or write for IPI Bus literature today. National Electric Products Corporation, Pittsburgh 30, Pa.



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Republicans have been able to preserve the status quo. This has meant squandering such P.A.C. ambitions as a 40-hour week in agriculture, an increased minimum wage, and a fair employment practices act.

Even the A.F.L. unions in Hawaii are not unkindly disposed toward him and his C.I.O. activities. I.L.W.U. by itself would be a tough nut for Hawaii employers to crack. But in alliance with the A.F.L. unions (the service and building trades), the group shows signs of invincibility.

• **Red Bogey**—Beyond that, employers are disturbed about I.L.W.U.'s political orientation. They maintain that he and all his henchmen are either Communists or tools of Communists.

Hall has denied this categorization. Hall's chief, Harry Bridges, has disavowed any affiliation with the Communist Party; he spent years proving to the satisfaction of the U. S. Supreme Court. Yet their union constantly finds itself in the position of espousing the same causes that the Communist Party has clasped to its bosom.

Even the Republicans concede, however, that none of the representatives elected with P.A.C. support is Communist, openly or covertly.

MILLIONS FOR IDEAS



Awards under General Electric Co.'s 41-year-old employee suggestion system passed \$2 million when Charles E. Wilson (left), G. E. president, handed a \$1,000 check to Martin Panczner, a 41-year employee. Panczner suggested an improvement in design for gyroscope mountings. G. E. awards to stimulate employee initiative in improving work methods have averaged \$100,000 annually in recent years.



lives of great men all remind us
we should leave no stone unturned *

* apologies to Henry Wadsworth Longfellow



Man, the old stone-turner, frequently makes some interesting observations. But, unless he happens to be going fishing, he never seems to be much to be done about them. Frankly, when it comes to making his life sublime, he's pretty much to look to a woman for suggestions. And get them.

For women seem to have the special ability to take upon whatever they see and transform it into something related to themselves or their families. Their endless quest for living material can go all the way from an old newspaper to the magazines they select to read.

We like to think that the extraordinary success of our magazine springs from a recognition of this omnipresent feminine characteristic.

We believe that in the Journal women find more values for living. And, since women read to live and bring their reading to living, many advertisers tell us they believe their messages in the Journal share this special living scrutiny.

"Never Underestimate the Power of a Woman" may have started as a solo; today it is practically a chorus.



ladies' home

JOURNAL

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First Slap?

If Truman vetoes the portal bill as is expected, Congress will probably have enough votes to push it through anyway.

President Truman this week had the means of closing the door on portal pay claims, past and future, as he had to do was sign the Portal Act of 1947 sent him by overwhelming votes of both houses of Congress.

The veto expected of him, however, would not kill the bill if the Republican-Southern Democrat coalition decided to push it through. At midweek it looked as though Congress was going to muster more than the two-thirds vote necessary to override—thus administering the first such slap to Harry Truman.

• **Heat Is Off**—This was indicated despite the fact that much of the heat has been taken out of the portal pay claim by (1) the Mt. Clemens Pottery decision holding that a claim for 14 minutes a day was too trifling to concern the courts (BW—Feb. 15 '47, p. 86); and (2) the withdrawal of suits by the United Steelworkers (C.I.O.) and several other unions which have made second round wage settlements (BW—April '47, p. 100).

Passage of the law over a Truman veto was considered "smart politics" because of the growing prospect that no other labor legislation may be enacted this year. A two-thirds vote against a Truman veto of the Taft labor bill is dubious.

• **Litigation**—Because of "new words" used in the portal bill, a number of court tests would be necessary to obtain legally clear interpretation.

As it passed Congress after House and Senate differences were adjusted, the proposed law goes beyond so-called portal-to-portal pay. It regulates liability under minimum wage provisions as well as overtime. It protects employers who had reason to believe they were exempt from the law. It extends to labor covering government contracts as well as the wage-hour law. For these reasons the Truman veto seemed assured.

• **Provisions**—The bill sent Truman would:

(1) Wipe out all pending suits (estimated at more than \$5 billion) except claims based on activities which were compensable by custom or contract.

(2) Permit compromise of past claims if there is a dispute as to the amount due, providing that the compromise does not go below the 40¢ minimum of the wage-hour law or the minimum requirements of the Walsh-Healey and Bacon-Davis acts covering government work.

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Miner, conscientious worker, business builder . . . that was Peter Grubb

Peter Grubb was a man of resourcefulness and energy. In 1739, he developed one of Pennsylvania's first mines, and built Cornwall Forge. From what the earth offered and his own hard work, he created a business which later helped make America free by furnishing supplies to Washington's army. With little he achieved much by good management and hard work; and he gave prosperity to a whole community.

America's productive genius has been made possible by men who did not spare themselves. Sound management made their work effective, produced the world's most abundant economy,

made jobs and higher incomes possible for more millions than had ever been dreamed of before. But good management without conscientious work produces little. An honest day's work by the men who produce the goods is just as essential as ever for the good of all.

• • •

In mining as in other industries, the efficiency of equipment has been multiplied by ball and roller bearings. And wherever you find machines at work extracting the wealth of the earth, you will find SKF Ball and Roller Bearings proving year after year that they are:

THE RIGHT BEARING FOR THE RIGHT PLACE

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SKF INDUSTRIES, INC., PHILA. 32, PA.

In buying acid drums

be sure on

these points!



longer life

Economy is based not only on the initial cost of a drum, but on its life. For instance, a Hackney Two-Piece Acid Drum lasts longer than any other type. It is, therefore, most economical when its cost is allocated over the greater number of trips.

Its long life is due to its seamless cold drawn construction. There are no longitudinal or chime seams—only one circumferential butt weld located between and protected by two I-bar rolling hoops.

resistance to corrosion



Because of the corrosive action of many products, this point becomes very important. With the seamless head construction of the Hackney Two-Piece Acid Drum, there is no chance for excessive corrosion to set in. Bung failures are minimized by special heavy forged spuds attached by a two-pass weld. Then, after fabrication, a special heat-treating process increases resistance to corrosion.

easy cleaning



In shipping many products, it is absolutely necessary to remove all trace of previous shipments before refilling the drum. Hackney Acid Drums can be easily and thoroughly cleaned . . . because of the smooth interior entirely free of cracks and crevices.

write for full details

and get the whole story of Hackney advantages in the shipment of sulphuric acid, caustic potash, hydrofluoric acid and other products requiring careful handling.



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207 Hanna Bldg., Cleveland 15

CONTAINERS FOR GASES, LIQUIDS AND SOLIDS



contracts, with time-and-a-half for overtime.

(3) As to future claims, relieve employer from liability for activities engaged in before or after the regular work day unless they are compensated by custom or contract.

(4) As to future claims, ban "blanket suits"; this would require each employer to consent in writing to any suit in his behalf.

(5) As to future claims, fix a two-year statute of limitation; but state limitations would apply to suits filed within a "grace period" of 120 days.

(6) Absolve, as to past claims, employers who relied in good faith on the written regulation of the agency administering any of the three laws affected.

(7) In cases where claims are valid, permit courts to eliminate or reduce double damages now mandatory—if employers had reasonable grounds for believing they were not violating the law.

Southern Mine Owners May Not Bargain

Talks between John L. Lewis and bituminous mine operators will be resumed next week, with the industry's two big questions still unanswered. They are: How many operators are willing to enter into industrywide bargaining with Lewis? How much tonnage do they represent?

On the answers may hinge the possibility of labor peace this summer in the nation's soft coal fields.

• **Preliminaries**—Early this week, Coal Mines Administrator Collison called a preliminary meeting of union representatives and operators. Exploratory talks were held, with no announced progress. Lewis, playing his cards close to his chest, let slip no indication that he would bargain on anything less than a completely nationwide basis.

Best guesses in Washington were that most northern operators, captive mine groups, and some southern operators have agreed to bargain together. Their production is believed to amount to 75% to 80% of annual output.

• **A Challenge?**—Reasoning is that with the bulk of operators ready to bargain with him, Lewis cannot afford to rely on the argument that he will take all or nothing. That would be an open challenge to Congress to get tough.

Lewis realizes, too, that he can do little by failing to draw all southern operators into initial talks. Any contract terms written by the major parties to the industry can be extended to non-conformists by strike action on July 1. Competition from operating mines would then provide strong pressure to yield on union demands.

Steel Pact "Firsts"

Union's contract with U. S. Steel contains several significant innovations of importance to management and unions.

The full text of the nation's most important labor contract was available this week, and management and labor alike were scanning it closely. For this year, U. S. Steel's agreement with the U. S. Steelworkers of America (U. S. S. W. A. - Apr. 26 '47, p. 100) will be the most widely copied document on the labor front. Hence its 75 pages (23,000 words) are being carefully examined for possible "firsts".

How far as could be determined, there are none.

Innovations—But the contract did include what were, for steel employer-union relations, new and significant features. Much of management's attention was centered on these innovations.

The two-year contract (which adds an hour to the economic benefits of U. S. Steel's 140,000 production and maintenance employees) has the following "firsts":

Leadership Conference

U. S. Steel and union executives agreed that "friendly, cooperative relations" can best be encouraged if it is clearly understood that officials are not to be in a company or antiunion.

Hence, officials agreed to meet in Pittsburgh the third Tuesday in each month to appraise any problems that might arise from the contract. The meetings will not be for collective bargaining, or to "modify, add to, or delete" from the provisions of this agreement. Objective is to make the contract a live and continuing factor for



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	Food	Clothing	Rent	Gas & Elec- tricity	Other Fuels & Ice	House Fur- nishings	Misc.	7 Co
August, 1939.....	93.5	100.3	104.3	99.0	96.3	100.6	100.4	
January, 1941*.....	97.8	100.7	105.0	97.4	104.2	100.1	101.9	
March	98.4	102.1	105.1	97.3	104.2	101.6	101.9	
March, 1942.....	118.6	123.6	108.9	96.7	112.1	121.2	110.1	
March, 1943.....	137.4	127.6	108.0	96.2	118.3	124.5	114.5	
March, 1944.....	134.1	136.7	108.1	96.0	123.5	129.0	119.1	
March, 1945.....	135.9	143.7	108.3	95.5	124.1	144.5	125.6	
March, 1946.....	140.1	153.1	108.4	92.9	127.7	150.2	125.9	
April	141.7	154.5	108.4	92.6	127.8	152.0	126.7	
May	142.6	155.7	108.4	92.2	127.8	153.7	127.2	
June	145.6	157.2	108.5	92.1	128.4	156.1	127.9	
July	165.7	158.7	108.7	92.1	133.8	157.9	128.2	
August	171.2	161.2	108.7	91.8	135.0	160.0	129.8	
September	174.1	165.9	108.8	91.7	136.5	165.6	129.9	
October	180.0	168.1	108.8	91.6	136.6	168.5	131.0	
November	187.7	171.0	108.8	91.8	137.2	171.0	132.5	
December	185.9	176.5	108.8	92.0	138.3	177.1	136.1	
January, 1947.....	183.8	178.3	108.8	91.9	142.0	178.5	136.6	
February	182.3	180.2	108.9	92.2	142.1	179.6	136.7	
March	189.5	184.3	109.0	92.2	142.5	182.3	138.2	

* Base month of NWLB's "Little Steel" formula.

Data: U. S. Bureau of Labor Statistics 1935-39 = 100.

industrial peace, by subjecting it to periodic top-level review and discussions.

II. Severance Pay

Dismissal pay henceforth will be given to “employees with certain minimum service when technological change” causes layoffs or discharges. Severance pay has long been a demand of the steel union. This year, for the first time, it has been included in the steel contract.

• **Compromise**—Severance pay was written into the steel contract during bargaining on an annual wage—or work-assurance—program. The union did not win its guarantee, but could claim a first step toward job security in the dismissal pay victory.

The steel contract provides that severance pay is to be given whenever employment is terminated “either directly or indirectly” as a result of a company decision to close a plant permanently, or to discontinue any department or “substantial portion thereof.”

Workers become eligible for severance pay when they have been employed three years. The amount they will receive, in a lump sum, will range from four weeks' wages (three to five years' seniority) to eight weeks' pay (after ten years).

• **Choice**—The contract provides that the company can offer an employee, in lieu of severance pay, a comparable job “in the same general locality.” The employee has the option of taking either the new job or severance pay. If he takes the job, he loses accumulated seniority except for the purpose of com-

puting vacation pay and a possible future severance allowance.

An employee entitled by seniority to a comparable job in the same plant laid off, cannot claim severance pay if he does not accept transfer.

III. Vacation Allowances

Under new U. S. Steel policy, vacations will be given on the basis of week paid vacation after one year on payroll; two weeks after five years, three weeks after 25 years.

IV. Seniority Study

The company and the union agreed to make a joint study of “seniority practices in effect in the company.” Objective is to “recommend [for adoption] practices best calculated to assure company qualified employees in a job, in the interest of safe and efficient operations, and to give employees the greatest degree of opportunity for advancement increasing with length of service.”

The contract clause stipulates that promotions will continue to be contingent on “ability to perform work, physical fitness, and continuing service.”

V. Social Welfare

The union had demanded a broad social welfare program in the steel industry (BW-Feb. 1 '48, p. 88). It made some progress when the company agreed to consider, with the union, proposals for life and accident insurance for workers.



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ers, disability payments, sickness and
pital benefits, and other welfare in-
The study is to be completed by
1, 1947. Conference recommendations
will be formulated on what is to be
cluded in a program, the method
financing to be used, and how funds
be administered. Then, according
terms of the agreement, the recom-
mended plan "will be adopted and
into effect."

• **Milestone**—What the U. S. Steel
is likely to include was discernible in
subsequent contract negotiated between
the steel union and Allegheny Lud-
Steel Corp. This contract incorporates
most provisions of the U. S. Steel agree-
ment. But on social welfare provisions
it went much further.

Allegheny Ludlum gave what was
ported to be the first company-financed
health and welfare insurance program
in the steel-producing industry. It in-
cludes a \$4,000 life- and a \$4,000 ac-
cident-insurance policy for each work-
er and coverage for sickness, hospitali-
zation, and surgical benefits. Families
workers also are covered under the
hospitalization plan, at no cost to em-
ployees. The basic Allegheny plan is
year old, but until the current contract
it had been jointly financed. Cost to
company is estimated at 4¢ an hour.

The Rest of the Industry

The U. S. Steel contract and man-
agement agreements which followed it did
clear steel labor skies completely. Stri-
kes and bargaining disputes developed at
number of plants. Follansbee Steel
Corp.'s three plants were closed Mar-
ch but reopened May 5 after a compromise
agreement; this gave C.I.O. employees
almost the same benefits given by
Steel.

Inland Steel Co.'s 14,000 C.I.O. em-
ployees in East Chicago, Ind., struck
six days in a dispute over four of 12
contract clauses. Other plants were
down in New Jersey, Pennsylvania,
Ohio, and West Virginia. In most in-
stances, less responsibility was placed
wage disputes (most companies offered
12½¢ hourly raises) than on disputes
over other issues. Early this week
estimated 25,000 steelworkers were
out of plants; nationwide steel operations
the week were scheduled at 90.6%
capacity, down from 96.4% last week.

• **Fabricators Settle**—While the fab-
ricators' Non-Basic Steel Coordinating
Committee was vocal in objections to
any "pattern" contracts, two fabricators
were acting against possible recurrence
of a fabricating strike such as that of
1946 (BW—Mar. 16 '46, p. 108). Many
fabricators already are signing for the 12½¢
plus given by Big Steel. With other
Philip Murray's steel union has shown
a willingness to compromise on pay in-
creases ranging as low as 9¢ an hour.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

Y 10, 1947



The Truman-Marshall foreign economic program is running into serious difficulties.

Trouble started with the drastic slashing of the foreign relief bill by the House.

Then came the shock of having that same body question the wisdom of the Greek policy.

It is not generally known but both the White House and the State Dept. are now frightened over the outlook.

While the Greek-Turkish legislation will squeak through, congressional antipathy to foreign lending has reached such proportions that the Administration's over-all rehabilitation plans are jeopardized.

The situation is peculiarly embarrassing to the President.

Since Mar. 12, when the Greece-Turkey policy was announced in a nationwide broadcast, he has been under attack for tackling the program on a piecemeal basis.

Recently he has been accused of wrapping his proposals in hokum and of not dealing straightforwardly with the problem.

If his whole plan to "contain Communism" should collapse, the Russians will guffaw.

Difficulties aren't confined to the eastern Mediterranean.

Evidence will be dramatically visible in the next two months that Britain can't get back on its feet solely by drastic restriction of imports.

Actually, top London planners now admit to Business Week that this policy is throttling production and critically slowing down the British export drive (page 101).

To save the situation Washington may have to:

(1) Support London in forcing favorable sterling debt settlements with India and Egypt—Britain's largest creditors;

(2) Assure the British government that more financial aid will be forthcoming both for Britain and for Western Europe.

Washington will not be surprised if there is talk of another loan for France before the year is over.

World Bank credits will cover the dollar shortage during the summer. And heavy expenditure by a flood of American tourists will help bolster the Paris treasury.

But before the end of the year, if France continues to veer away from Communism, Washington will almost surely be solicited for another loan. Odds now are that it will be granted in order to support a moderate government.

Washington's present tendency to put economy (tax reductions) ahead of a minimum international rehabilitation program (security) is popular among many business leaders. A year from now their reaction may change.

Experienced exporters returning from Latin America warn that nearby markets south of the Rio Grande are becoming glutted with radios, pharmaceuticals, and a variety of consumer novelties.

Southern cotton growers, alarmed over export prospects, are demanding that, since the U.S. is financing reconstruction in Japan and Germany, American cotton should get a better break in these markets. Until recently,

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

MAY 10, 1947

heavy domestic business had made them willing to allow Japanese and German textile mills to buy Brazilian cotton.

By the end of the year, a wide range of U. S. business may be urging rehabilitation loans as a means of pump priming for export outlets.

While there is no shortage of foreign demand for machinery and construction equipment, even these industries may urge the loan program.

Exports are now leaving the U. S. at nearly double the rate at which imports are coming in.

This leaves unfilled a huge demand abroad for dollars. In the main, this must be filled by loans.

Without them, even countries like Britain and France will be unable to buy the mass of machinery required for their industrialization programs.

This dollar shortage overseas is aggravated by the current heavy decline in price of several important food items imported by the U. S.

The bottom fell out of the international copra (oil) market some time ago. This hits trade with the Philippines, southeastern Asia, and Africa.

While the cocoa price collapse came only after the bulk of this year's African Gold Coast crop had been marketed, it has put a damper on the trade outlook.

Brazil became so perturbed over sinking coffee prices that it tried to bolster the market, but no amount of support has pulled prices back to late winter levels.

In contrast, prices on most of the industrial items that foreign customers want to buy in the U. S. show no signs of weakening from their postwar peaks.

If you are awaiting the outcome of the International Trade Organization meeting in Geneva before making further foreign trade commitments, you can put your order book away for several months.

Reports from Geneva on Wednesday indicated that progress on tariff negotiations is slow.

Best guess now is that the conference will continue through much of the summer if it is to accomplish anything.

Business Week's representative in Germany reports that headway is being made at last on the export program designed to put the combined U. S.-British zone on a self-sustaining basis.

American executives wishing to do business in Germany can now secure entry permits through Washington (War Dept.) or Paris (U. S. Embassy).

But they must first show evidence of a potential transaction. Simplest way to get this is by communicating with former German business contacts.

The Hanover Trade Fair, opening Aug. 18, devoted to exports, should give a measure of the competitive strength of German products.

American businessmen trying their wings for the first time in vast new international ventures should not be without a new lexicon on contracts, written by an international lawyer. "International Contracts and the Anti-Trust Laws" by Harry Aubrey Toulmin, Jr. (Anderson Co., Cincinnati, \$15), is designed to show businessmen how to negotiate and draft sound international contracts and avoid antitrust violations.

BUSINESS ABROAD

Britain Needs a New Way Out

Dollar loans not enough to stave off economic strangulation. Lack of raw materials, machinery prevents normal production. Debts and austerity of living reduce incentive to work.

Port-minded businessmen in Britain are offering their wares this week at the World Industries Fair. But behind the windows in London and Birmingham, British industry is struggling at impossible odds to stave off economic strangulation.

Only a drastic move on the international stage, such as a slashing write-off of its \$14 billion sterling debt or a S. grant running into the billions, can save the country from disaster.

Ends Need Means—Viewed from the angle—statistical or human—the economic problem is insoluble unless the methods which have been tried to date.

Official posters tell Britons they must "Work or Want." But, to save dollars, government is planning to cut its imports from the U. S. (table). With no alternative sources of supply immediately available, this is bound to increase and reduce the incentive to work. Shortages of food and consumer goods are already causing more and more rationing in all classes. Scarcity of materials restricts industrial output. Lack of machinery from the U. S. slows modernization schemes. Result is

to dampen the export drive designed to earn the foreign exchange needed to pay for imports.

• **On-the-Cuff Existence**—Purpose of the American and Canadian loans was to enable Britain to live on the cuff for five years. The dollars went to bridge the gap until exports rose from the 1945 total of \$1,600,000,000 to \$6,300,000,000, or 175% above 1938 by volume.

During 1946, exports climbed faster than anyone expected, reached \$3,600,000,000 for the year. This was 100% of 1938 volume. But, before the year ended, the industrial tempo began to slow down, held in check by shortages of manpower and raw materials, and lack of incentives on the part of both labor and management (BW—Feb. 15 '47, p. 109).

The winter fuel crisis brought industry to a grinding standstill. Over-all loss of output was at least three weeks' production. Textiles lost two months' output. More than a month's exports went down the drain.

• **Coal at the Crux**—The coal position remains precarious. Leaders of the National Union of Mineworkers have assured the Labor Cabinet that output during the summer will be 4,200,000 tons per week. (It was 3,600,000 in 1946.) This would provide enough for next winter's stockpile. However, the coal mines are cutting down to a five-day week this month, and government officials are keeping their fingers crossed.

With coal and other basic raw materials still rationed, recovery will be slow. The export level for 1947 can hardly be more than 120% of prewar—maybe less. With luck, and adequate coal supplies, it might reach 140% in 1948. But this would still be \$1,300,000,000 short of the \$6,300,000,000 target.

• **Austerity Will Prevail**—By the beginning of 1949, the dollar loans will be used up and the country will not be back on its feet. It will still be running a deficit on international account. On present indications, Britain will still be holding imports—and home consumption—at wartime austerity levels.

Under conditions like these, there can be no speedup in revamping British industry. Without far more modernization than achieved during and since the

Dwindling Dollars

Tobacco is not the only major British import from the U. S. which may be cut in 1947 to save dollar exchange (BW—Apr. 26 '47, p. 118). Nine other leading import items are probably scheduled for reduction. Figures for Britain's 1946 purchases from the U. S. are in millions of dollars:

Commodity	Value
*Tobacco	\$220.7
*Refined petroleum	105.8
*Dried eggs	101.7
*Films	72.0
*Meat	52.6
Wheat	42.5
Machinery	38.2
*Cheese	35.3
*Dried & condensed milk....	32.2
*Cotton	28.6
Timber & wood (incl. mfrs.)	26.8
Chemicals & drugs	18.2
*Dried fruit	17.9
Steel	16.6
Hides & skins	15.3
Lard	11.9
*Salmon	10.8
Oilseeds & nuts	10.5
All others	122.4
Total	\$980.0

Data: Board of Trade.
* Scheduled for reduction.

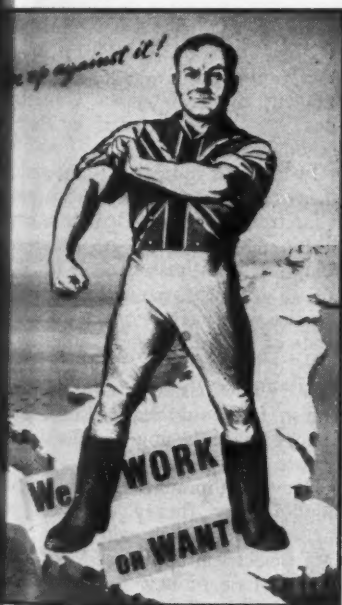
war, it will be in no position to produce enough for both home and export needs. Nor will it produce efficiently enough to compete in world markets.

• **Exports Must Pay**—The balance-of-payments problem, which is the crux of the situation, can be stated simply: For the first time in over a century, Britain must pay for its imports with its exports. Before the war, close to half its purchases abroad were covered by "invisible" exports, such as receipts from shipping.

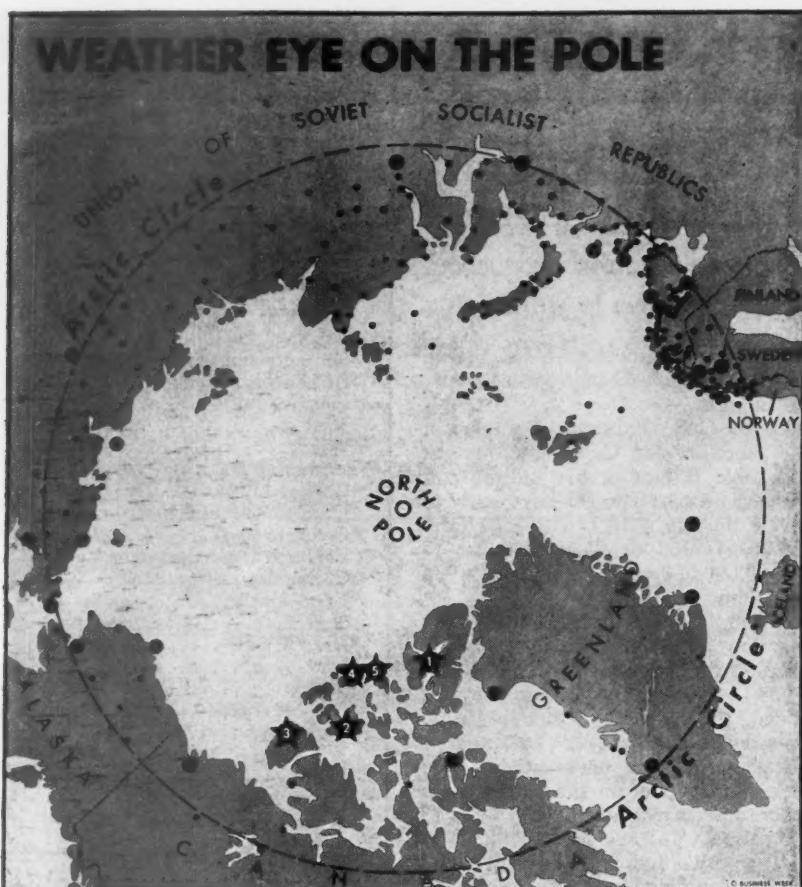
Britain is no longer a creditor. Hanging like a millstone around its neck is the huge sterling war debt. If settled as creditors (Egypt and India are the largest) now demand, this will drain off more than \$200 million annually for 50 years. Also in the offing—starting in 1951—is repayment of \$160 million a year on the U. S. and Canadian loans.

Other government expenditures abroad will be heavy. Even though the U. S. has picked up Britain's burden in Greece and Turkey, expenditures there will come to \$700 million in 1947. (They were \$1,200,000,000 in 1946.) Five years from now over-all debt payments may be half the current figure, but hardly less. The total obligation will cancel out total British earnings from shipping, insurance, and foreign investment (\$480,000,000 in 1946).

• **The High Cost of Balance**—The effort to achieve a balance of exports and im-



A message for the people.



OBSERVATION STATIONS:

• Minor

● Major



★ New or Expanded

The small number of observation points in the Arctic weather kitchen has long perturbed military men and the meteorologists. Now, Canada and the United States will build or expand nine weather stations. The first five will be (1) at Eureka Sound, Ellesmere Island, within 600 mi. of the pole; (2) at Winter Harbor, Melville Island; (3) on Banks Island; (4) on Borden Island; and (5) on Isachsen Island.

The Canadian Arctic area is known as a blind spot because other areas of the polar region have so many weather stations. A recent Washing-

ton estimate credited the Soviet Union with eleven of the 22 radio-observation stations north of the Arctic Circle. Minor stations are thickest in Scandinavia, where Norway has 59. The U.S.S.R. has 153 on its long northern frontier. The U. S. and Canada have only a score.

Soviet interest is concentrated on ice-movements affecting shipping across the top of Asia. Recently Moscow announced that untended radio-observation units will be established on the drift-ice and radio-buoys will be placed on the ice-fields to record ice movement by emitting signals.

ports is already taking a heavy toll on the home front. Aim for 1947 is to export 25% of all manufactures. (In many industries it runs to 50%, in others to 75%.) This will represent 14% of national income, compared with 10% in 1937. U. S. exports in 1946 represented about 7% of national income.

Public expenditure (including defense) will absorb 17% to 23½% of national income this year. Capital equipment and maintenance (including housing) will be up from 16½% to 20%. As a result, personal consumption will be 66½% instead of the prewar 78%. To

reach the target figure, exports will ultimately have to take 20% of the national resources, more than 30% of manufacturing output.

• **Times Have Changed**—In 1913, Britain exported on such a scale. It shipped out 33% of its manufactures, representing about 24% of national income. But living standards were low for most Britons. There was enough left, after paying for imports out of exports and "invisibles," to export capital abroad to the tune of \$1 billion. There was plenty of stretch in the economy then.

In 1937, exports netted the same

money return as in 1913. But imports were up 45% in value. To pay for the country was liquidating foreign investments at the rate of \$250 million annually in the late thirties. Higher living standards were coming out of fat accumulated from past enterprise.

• **Living Standard Decline?**—The cost Britain half its foreign assets, the remainder are more than offset by debt. There may be no solution for the country except a major decline in living standards and population.

For every dollar Britain earns from exports, it has already paid out 20¢ for the raw materials needed for fabricating the exported product. In many industries, the cost of imported raw materials once constituted 10% of the export price. The net gain in foreign exchange was 90%. Today the figures are more likely to be 40% and 60%.

• **Turn of the Tide**—The terms of trade have turned against Britain. Prices of British imports are up 226% over 1913 prices of its exports, 215%. Prime example of what the level of import prices can mean to Britain is wheat. An increase of 20¢ a bushel in the price for imported wheat would cancel out over 3% of British exports for an entire year.

If there is a way out, it is through greater production and the diversion of export of as large a part of national output as in 1913. Onlookers concede that full employment of manpower all over the next ten years, could supply most of the extra production needed. But it must be genuinely productive employment.

• **No Lead From the Government**—Labor Government, until recently concerned with long-term socialization rather than immediate production, has failed to provide a lead. Neither labor nor management has been pulling its weight. The workingman was promised a better deal and awaits his reward. Management is frustrated by controls, shortages, and frightened by threats of nationalization.

In terms of industrial plant and manufacturing capacity, the British position is far from hopeless. Despite a wartime loss in normal capital maintenance and development, estimated at \$10 billion, British industry made some gains during the war. Factory space expanded at a rate of 40 million sq. ft. annually compared with 20 million prewar and the country now has an additional 200 million sq. ft. About 90% of this amount of factory space is now in the hands of private enterprise.

• **Heavy Equipment**—Britain's engineering industry (heavy electrical equipment, automotive, aircraft, machine tools, electrical appliances) has had the largest share of new factory space and new machines. It is better equipped than ever before. Working conditions

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" C	85 "
" D	82 "
" E	74 "
" F	65 "
" G	33 "

. . . more pages than any general-business magazine or national news-weekly!

and workers' amenities have been improved. Many companies hope to increase output by 50% simply by modernizing factory layout and adopting American production line techniques. United States branch plants in Britain have set an example.

This is the key sector of the British economy, carrying the main load of the export drive as well as capital re-equipment at home.

• **Chemicals Need Coal, Too**—Given coal, the chemical industry—a major exporter—could quickly break its immediate bottlenecks and in five years far surpass its prewar output.

The petroleum byproducts side of the industry is being pushed for the first time (BW—Mar.29'47,p102).

• **Textiles**—Cotton and wool are both suffering from severe labor shortages. This grows out of wartime concentration and failure to pull back their workers or attract recruits. Bulk of the cotton mills were built before 1914 and the woolen before 1900.

Modernization is the only answer, as it is in some sections of the U. S. textile industry.

• **Modernization**—Coal, electricity, and transport will all be modernized under public ownership. Plans call for the expenditure during the next five years of \$600,000,000 on the coal mines, \$1,200,000,000 on electricity, and \$1,300,000,000 on transport.

Steel is to get \$700 million in eight years, much of it from private sources.

The nationalization axe has not yet fallen on Britain's steel industry yet and may be indefinitely postponed. Perhaps \$500 million out of a total of almost \$4 billion for the four industries will be spent in the U. S., bulk of it on steel plants.

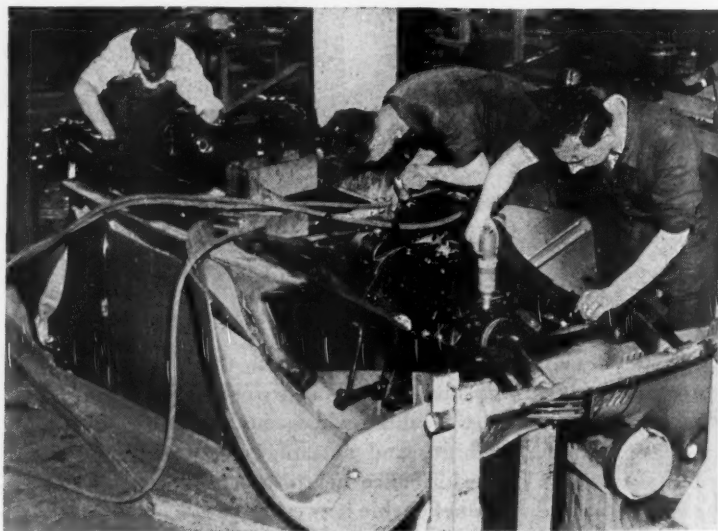
• **What of the Future?**—There is a great energy left in Britain. There is a great fund of skill. Compared with the U. S., perhaps there's more in labor than in management. If the energy and the skill could be harnessed, Britain might just make the grade.

Continued austerity will not turn Britain into a trick. Britain is already stifling its economy and psychologically. There is no escape by diverting exports to home consumption. Relief can come through less stringency on the import side. This means a new kind of attack on the crucial balance-of-payments bottleneck.

Prolabor Daily Paper Established in Toronto

TORONTO—A new morning newspaper, the Daily Tribune, was appropriately born on May Day. It is financially independent, actually a proletarian tabloid.

The Daily Tribune was announced earlier this year by officials of the Labor Progressive Party (formerly the Communist Party of Canada). Editor-in-chief of the new tabloid is Leslie Mac



BUSINESS "DOWN UNDER" TURNS OVER

In Melbourne, Australia, Rootes, Ltd., British car maker, turns automobiles over to install engines and other parts. Improved lighting and accessibility are said to result from the new method, which Rootes claims to have originated. The construction scheme is ideal for the car, a Hillman Minx, because frame and body are pre-assembled as a unit.

not fail... editor of the weekly Canadian... which has now folded.
 Sponsorship—The paper is owned by Canadian Tribune Publishing Co. It is financed by the Daily Tribune Foundation Fund. Individuals and trade groups are believed to have contributed \$250,000 to the fund.

The new paper is the only competitor for the wealthy, conservative morning Globe & Mail, angled by gold-spectator William Henry Wright and edited by polo-playing George McCulloch. The Globe & Mail has a circulation of about 190,000. (The big, liberal morning Toronto Star has a fat 327,000 circulation.)

Big Job—But the new paper has a long way to hoe. Its initial circulation is just 25,000; immediate goal is 40,000. It sells, like its morning competitor, for a nickel. It has twelve pages five days a week, 16 on Saturdays.

The paper has United Press (and British UP) and Acme Newspictures services. It also has a melange of feature material ranging from comics of the New York Tribune, Inc., the Chicago Tribune, and New York's PM, to left-slanted articles by Johannes Steel and Howard St.

Resemblance—Like the New York Daily Worker, which it resembles in many respects including its editorial approach to the news, the Tribune devotes one to headlines and a picture feature. Like the Worker, it has little advertising other than entertainment and small retail ads.

Newsprint was a major problem for the new paper. Presumably it inherited allotment of the Canadian Tribune. It has, however, received a substantial supply of newsprint from another, unidentified source.

SOVIET POWER PLANS

MOSCOW—Soviet electric power production produced 47 billion kwh. of electricity last year. This figure nearly equaled 1940 output of 48 billion kwh. This year, with a string of new power stations scheduled for completion, production is expected to reach 54,500,000 kwh. The Fourth Five-Year Plan, 1946-51, has set a goal of 82 billion kwh. (United States output in 1946 was 223 billion kwh.)

New power capacity installed last year amounted to 2 million kw. In the next two years, new installed capacity of 3,400,000 kw. equals the total installed in the Second Five-Year Plan, 1928-37. The goal for the current plan is 11,700,000 kw. of new capacity. This is more than double Soviet capacity at the end of the war after some 5 million kw. of capacity had been destroyed. The 1950 total will be around 20 million kw. Installed capacity in the U. S. is now over 50 million kw.)

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SUNRAY OIL CORPORATION DIVIDEND NOTICE

The Board of Directors has declared a dividend of 25 cents per share on the Common Stock of the Corporation payable on June 18, 1947 to stockholders of record at the close of business on May 10, 1947.

L. W. BENNETT,
Treasurer

April 28, 1947

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THE MARKETS

(FINANCE SECTION—PAGE 2)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	142.9	139.9	143.8	177.8
Railroad	40.5	40.3	42.2	62.9
Utility	74.6	73.6	75.8	93.7
Bonds				
Industrial	123.4	123.5	123.5	123.9
Railroad	112.0	112.5	113.5	118.7
Utility	112.8	112.7	112.4	115.9

Data: Standard & Poor's Corp.

The Market Stops to Reconsider

Stocks last week turned in their most encouraging price performance since mid-March. The Dow-Jones industrial average by Saturday was at levels some five points above the week's low. Even the long-lagging rail index had advanced more than a point.

But despite the rise, no indications that many of the general public had been persuaded to join the celebration. Total New York Stock Exchange trading volume was actually less than in the previous week. At no time last week did daily trading activity come close to crossing the million-share level.

• **Professional Affair**—The early suspicion that the "rally" was a professional affair was confirmed this week. Buy-orders dropped off sharply Monday. By Tuesday profit-taking operations were featuring Big Board proceedings. By Wednesday 30% of the industrial average's earlier gain had been erased.

Last week's optimism among Wall Street's professional traders was based

on several factors. Fundamental to the problem were:

• The late-April flood of rich first-quarter earnings statements from many heavy goods producers:

• An apparent lessening of earlier fears of serious strike troubles this spring.

But touching off the more volatile stages of the price uptrend were:

• The late-Thursday announcement that Chrysler Corp. had doubled its \$3 annual dividend rate so long prevailing and was preparing for a 2-for-1 stock split.

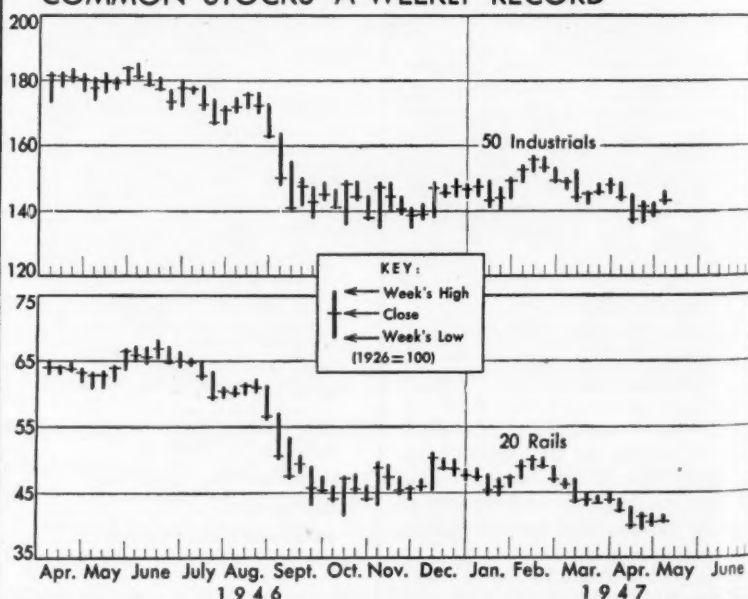
• Declaration of a \$2 semiannual dividend by Standard Oil of N. J., instead of the usual "\$1 regular, 50¢ extra" that had been expected.

• **Cause and Effect**—This news did more than give a quick boost to the market value of the shares directly concerned; the strength they showed (Chrysler Monday had climbed \$13) rapidly spread throughout the stock list. Particularly buoyant for a time were the electric motors, and heavy goods shares.

On the "legitimacy" of many of the week's sharp gains, however, there was a difference of opinion in Wall Street. Many bearishly inclined observers thought a number of these were caused more by frightened covering of short positions than by particularly avid buying.

• **Possible Pattern**—What's the outlook for the market in May? Based on the season, its performance should show improvement over that registered in April. In the last ten years industrial

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

USE OF COPPER DIPS



© BUSINESS WEEK

have moved up eight times in and declined but twice.

no one is betting that May's non-pattern will prevail this year. In a growing majority of Wall Street-re counseling continued caution in market operations. They are warn- clients not to be too impressed by "technical" rallies like the one last week. They see the situation, there's a good chance that the market will subse- quently push downward through its bear market lows. Some quarters, act, even see the industrial average ing as much as 20% below its cur- level.

Copper's Two-Price System

Copper markets the last few days have afflicted with troubles that, for the present at least, were more vexing than persistent shortages.

Traders and consumers had hoped when President Truman signed a two-year suspension of the import on the red metal, the market would lighten out rapidly. But that didn't happen at once. The result was a two-price system.

Too High?—Domestic producers have let their 21½¢-a-lb. price rise to meet the world market. But the duty suspension came at a time when the price was at least rendering lip service to the idea of price cuts, not rises. However, the entire copper industry has declared its price already was high.

When no move was taken to let the domestic price rise to the world quota- users of copper had the option of filling their needs in the home

market or of paying a premium of more than 2¢ a lb. abroad. Actually, they appeared to decide to sit the situation out.

• **Trading Slow**—Little business was transacted in the home market over the last week of April and the first few days of May. Moreover, there were no reports whatever of purchases abroad until Tuesday of this week. Consuming industries, trade observers report, seemed content to work from hand to mouth—for now.

This may mean that all but a few copper users have finally built up a relatively comfortable inventory situation. There has been some suspicion that purchases of 140,000 tons or more a month around the turn of the year were inflated. However that may turn out, the market has lost its hectic tone.

• **Dips Watched**—The decline in actual use of copper may provide some clue to copper users' more conservative action marketwise. Soaring consumption that peaked in January of this year at about 140,000 tons was bound to turn down sometime. But the February dip wasn't particularly significant, because weather hampered transportation and because the month was short.

What the trade is keeping tab on with more concern is the further slight dip in March. For most plants March had three more working days than February. Thus, on a working day basis, March averaged about 600 tons a day under February, 800 below January.

This apparent decline in need for copper comes at a time when domestic output has increased markedly.

• **Deliveries**—Domestic production permitted delivery of about 88,000 tons of copper to consuming industries in March. About 36,000 tons of imported metal also was available for a total of about 124,000 tons. That was some 6,000 tons in excess of the copper actually used during the month.

Now it becomes a question whether consumption will (1) settle down at recent levels of about 120,000 tons a month, (2) work back up toward earlier peak rates of 135,000 tons, or (3) maybe decline to around 110,000. There aren't many in the trade who look for it to go much below the third figure unless or until a recession hits heavy industry.

• **How Will It Work?**—The ultimate level of demand, of course, will go a long way toward spelling out the answer to price problems.

Consuming industries, at midweek, were inclined to think that the U. S. price will be allowed to match world quotations—but hoped the latter would come down. One view was that U. S. companies with large production in Chile should (1) increase tonnages offered in the world market or (2) cut prices on present offerings to the end that foreign quotations would be forced down.

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THE TREND

TAX LESSON FROM BRITAIN

For Americans the most spectacular as well as the most readily understood part of the new British budget setup is that which, by adding 20¢ to the tax, hikes the price of a package of 20 cigarettes to about 67¢. The frank aim of the new tax is to cut down tobacco imports and thus save dollars which are scarce in Britain.

• For Americans the most usefully instructive part of the new British budget should be that which cuts down individual income taxes, particularly on wage earners in the low brackets, and substitutes taxes of other kinds to offset part of the loss in revenue. The aim of this juggling is to increase the incentive to work by leaving the worker a larger share of the proceeds of his labor, at least until he buys something. By studying the problem presented and its origins, we Americans could learn a lesson which might save us a vast amount of grief.

In postwar Britain the overshadowing problem has been and remains that of getting production. This problem is compounded of many elements including war damage, reconversion headaches, and the transformation of Britain's international position from one of a creditor to a debtor. But a basic element of it is a tax load which stifles the incentive to produce. On this point the London *Economist* recently remarked:

At present, in many industries, a man's earnings decline progressively as his output increases, until he gets a much smaller reward for his last hour of work than for his first. . . . On the employer's side, it is common knowledge that the present cruelly high rates of direct taxation kill every incentive except that to tax evasion.

• We recently calculated that, if the average British industrial worker, with a wife and two children, were to put in enough added effort to increase his income by 25%, the income tax collector would get about one-third of it. For the average American industrial worker the comparable income tax cut would be about 17%. We also figured that a more or less typical business executive in Britain (with a wife and two children) who increased his income by a fourth would pay about 45% of the increase to the income tax collector. His American counterpart, whom we assumed to have an income of \$10,000, would pay about 31%. The British percentages will be modified by the new British budgetary setup and the American percentages by tax revision here, but not decisively.

It will still remain true that the income tax collector puts a decided damper on the incentive to work harder in the United States, and, as the *Economist* laments, puts a positive blight on the incentive to work harder in Britain.

Now let us take a look—and this is the crucial part of the story—at how it comes about that the income tax load which is piled both upon British workers and executives has become so much heavier than it is in the United States. The explanation most commonly advanced is that, relative to the total national income, Britain has been

carrying a far heavier load for military operations than the U. S. A. That is an important part of the story, but as the following table indicates, it is only part of the story. The table shows the approximate percentages of the current national income in the United Kingdom and the U. S. A. which go for federal and local government expenditures.

Kind of Expenditure	% of National Income	
	U. S.	U. K.
National defense	6.5%	12%
Agriculture, including food subsidies . .	1	5.6
Interest on debt	3	6.6
All other, including social security, veterans, education, international aid	15.5	20.8
Total, all government	26	45

From this table it emerges that government expenditures in the United Kingdom which amount to more than two-fifths of the national income are proportionately heavier all along the line than they are in the United States. Interest on debt takes more than twice as large a cut of the national income in Britain as it does in the United States; government payments to agriculture including subsidies to keep down the cost of food and clothing, take almost six times as much; and social security payments are relatively higher.

In considerable part, these higher British government expenditures simply represent a fiscal counterpart to taking in each other's washing. In the case of food subsidies, for example, the taxpayers as a whole get back lower food prices what they have paid to finance the subsidies, less the cost of government administration.

In this process of transfer there is also some redistribution of income. Those with higher incomes pay a larger share of the taxes to finance the subsidies and get no more than the standard reduction in prices. The same thing is true of social security benefits generally. And since those with higher incomes pay the larger share of the cost of such benefits, the extension of them has a strong appeal to governments and political parties which profess to be particularly alert to the welfare of the common man.

• What the British experience is demonstrating, however, is that things like social security benefits and poor man's subsidies can be pushed to a point where, through the burdens on everyone, rich and poor alike, the incentive to work is smothered. When that takes place, as it has been taking place in Britain, the underlying basis of all economic benefits—production—is eaten away.

If we will look at it with a cool rather than a close-conscious eye, there is for us in the United States a tremendous lesson to be learned from Britain's unhappy experience in killing incentives through too much government of one kind and another. Everyone stands to lose if we don't learn the lesson.

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